

NEWS: EUROPE

Russia's politicians try to exploit crisis

By John Lloyd in Moscow

AFTER a week of intense political manoeuvring the main centres of power in Russia find themselves operating outside the constitution. If a compromise can be reached involving President Yeltsin, parliament, the Congress of People's Deputies and the Constitutional Court, it will be between politicians unsure of their authority and the validity of the agreements they may sign.

Into this vacuum, other forces are rushing, seeking to take advantage of an increasingly lawless space.

The radical democrats, Mr Yeltsin's traditional power base, still support him because they have nowhere else to go. Yet, as Mr Yuri Afanasyev of the radical Civil Initiative

Group said on Wednesday, they fear that Mr Yeltsin's call for a national popular vote on his presidency and a new constitution is merely another "political bargaining chip" to be cashed in for yet another compromise.

For the hardline communists and nationalists, still demanding Mr Yeltsin's impeachment yesterday, in spite of the apparent turn-around on the issue by the parliamentary speaker, Mr Ruslan Kasbulatov, the president must be removed because of his continued espousal of radical market reform.

The revived Communist party, which has a number of determined politicians in its leadership, has identified the popular dissatisfaction with reform as their main political weapon and will pursue this

whether or not Mr Yeltsin survives any vote today.

But the centrist group now appears not to have the will to pursue Mr Yeltsin to this conclusion. Mr Khasbulatov's breathtaking throwaway remark yesterday that "frankly speaking, I'm no supporter of impeachment" shows that he reckons he has not got the votes for it.

He is probably preparing to hobble Mr Yeltsin through the use of stripping him of his powers if he oversteps his authority.

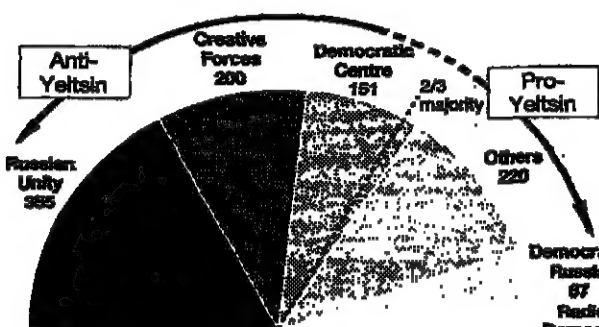
The centrist position was rehearsed in yesterday's Rossiyskaya Gazeta by Mr Alexander Vladislaviev, deputy head of the Union of Industrialists and chairman of the "Obnovleniye" (Renewal) party. Playing down the issue which has convulsed Russian political life, Mr Vladislaviev said reform was proceeding in enterprises large and small, and that a government of national unity was needed.

The centrists really are centrists. They recoil from the radical reform of Mr Yeltsin's cabinet. But, when push comes to shove, they recoil also from the fury of the hardliners. They wish to constrain, but not to dismiss, the president.

A common position now emerges - the call, voiced by Mr Vladislaviev, by the trade unions, by leaders of autonomous republics and the regions for elections for a president and for a parliament. So fluid is the political situation that almost every group believes it has a chance to improve its position.

How the congress lines up

Total: 1,033 seats



STAR TURN: Russian soldiers in drill practice yesterday. The army says it will not intervene in the struggle between President Yeltsin and parliament.

Richest republic waits and watches

By Leyla Boulton in Yakutia

YAKUTIA, the biggest and richest republic within the Russian federation, is waiting to see whether pro- or anti-Yeltsin forces will win the impeachment vote today in the Congress of People's Deputies.

"We are waiting to see which side will turn out to be right," jokes Mr Gavril Struchkov, editor of a liberal newspaper, Sakhada (Land of the Yakuts). Some 6,000km north-east of Moscow, Yakutia - or Sakha, as it prefers to call itself - has much at stake in the showdown between President Boris Yeltsin and parliament.

A statement by the local republican government and parliamentary leaders on Monday simply condemned power struggles in Moscow without blaming Mr Yeltsin or Mr Ruslan Khasbulatov, the parliamentary speaker. But some local reformists said yesterday that a victory for parliament would give the cautious Yakut leadership a freer hand to reverse economic reforms.

This is already happening as falling production and raging inflation are being blamed on privatisation, said Mr Fedot Tumusov, head of parliament's committee for market reforms and entrepreneurship.

"A year ago I would have doubted reforms could fade," said Mr Vladimir Danilov, deputy chairman of the state privatisation committee. But Mr Mikhail Nikolaev, the Yakut president, had recently supported a decision to weaken his committee by splitting it into two. Only one privatisation auction, offering shares for

vouchers distributed to the population, had been held.

Mr Danilov said that if Mr Yeltsin was again defeated at today's Congress, it would only be a matter of time before Mr Anatoly Chubais, the energetic Russian privatisation minister, was removed and his mass privatisation strategy dumped.

However, if strong presidential rule and energetic reforms were pursued by the centre, there would be less leeway, for Sakha to go its own way. A failure to stabilise Russia's finances and restructure the economy could encourage rich regions such as Yakutia to introduce their own currencies and withhold diamonds and taxes from the centre.

The producer of 98 per cent of Russia's diamonds and the third largest source of gold, Yakutia has pushed autonomy to the limits promised but never granted under the old communist system. But while declaring its sovereignty and introducing Yakut citizenship alongside Russian nationality, the im-strong republic has also pledged to remain part of the Russian federation.

Mr Vasily Alexeyev, chairman of the Yakut parliament's natural resources committee, said his republic now had a fair deal for sharing its diamonds and gold with Moscow. But he said it was important to recognise that Yeltsin was fighting a very real threat of a communist counter-coup. "The many former communists who are talented professionals are needed, but others who just want to return things to the way they were before are very dangerous," said Mr Alexeyev.

Kohl to ask US to step up assistance for Moscow

By Quentin Peel in Bonn and George Graham in Washington

GERMAN Chancellor Helmut Kohl will urge a big increase in US assistance for President Boris Yeltsin's reform programmes, when he meets President Bill Clinton for the first time today.

The precarious state of Mr Yeltsin's government is certain to be a dominant theme of the talks, with both

sides having outspokenly pledged support for the Russian leader in his tussle with parliament.

Mr Kohl yesterday welcomed the US president's proposal for a "concrete aid programme" for Russia, which Germany has been urging for months, but underlined that it is now up to the rest of the Group of Seven leading industrialised nations to provide more finance.

"We expect our partners to get

more actively involved than they have up till now," he told the German Bundestag shortly before leaving for Washington.

"We Germans have provided more than 50 per cent of all western help so far, with more than DM80bn. . . But with that, we have already reached the limits of what we can afford."

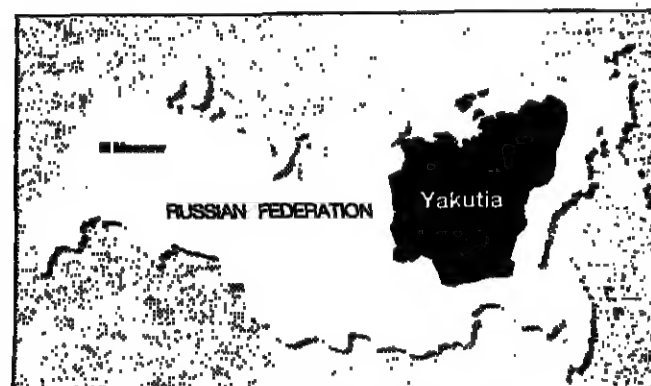
Mr Warren Christopher, the US secretary of state, said yesterday that the

US aid programme for Russia that Mr Clinton plans to announce at his Vancouver summit with Mr Yeltsin next month would concentrate on "practical, tangible down to earth, non-ideological programmes for prompt assistance to the Russian people."

Mr Christopher said Mr Andrei Kozyrev, his Russian counterpart, had "pleaded" for technical assistance at the micro-economic level in his talks in Washington this week.

US bilateral aid would focus on micro-economic programmes in fields such as energy and housing, Mr Christopher said, acknowledging that in the past aid for Russia had been "halting and inadequate".

Macro-economic assistance to stabilise the Russian economy and ward off imminent hyperinflation would be primarily multilateral, and would be announced by the G7 after the Vancouver summit.



UN effort to halt Bosnia onslaught

By Laura Silber in Belgrade

THE commander of United Nations forces in Bosnia, General Philippe Morillon, arrived in Belgrade yesterday to try to stop a Bosnian Serb onslaught in eastern Bosnia.

Bosnian Serbs were reported to be poised last night to overrun the besieged Muslim enclaves of Srebrenica and Zepa, which would force a refugee exodus and prove a serious reversal for the international peace plan granting the area to Muslims.

Gen Morillon's visit to the Serbian capital reflected a belief that the Serbian president, Mr Slobodan Milosevic, would be able to exert pressure on ethnic Serb forces in neighbouring Bosnia.

"I have come to ask him to help me implement every demand. The most urgent being a permanent ceasefire and an air corridor around Srebrenica. . . If that cannot be achieved I will be obliged to report back to the security council," the French general said.

In an earlier meeting with Mr Milosevic, Mr José María Mendizábal, the special envoy of the UN High Commissioner for Refugees (UNHCR) tried to win access for relief organisations to Srebrenica, where up to 60,000 Muslims have been trapped for nearly eleven

months by a Serb siege. Despite assurances from Mr Milosevic that he would lend his influence to get UN access, a UNHCR official said: "We are not terribly optimistic. We have been given such assurances in the past which have not borne fruit."

A UN official yesterday warned that Srebrenica was in imminent danger of falling to Bosnian Serb forces.

At the same time Sarajevo radio said Serb forces had launched an attack on Zepa, a smaller Muslim enclave, south-west of Srebrenica.

Mr Cedric Thornberry, deputy head of the UN operation in Bosnia, said the Serb seizure of Srebrenica would have serious political and humanitarian consequences.

"The Bosnian Serb army is moving forward steadily within the area, taking village after village. I am afraid that if there is not a ceasefire the whole of that pocket could fall within 15-20 days," he said.

Serb leaders on Wednesday had agreed to an evacuation of wounded Muslim soldiers and civilians from Tuzla, the Bosnian government stronghold. But the helicopter relief operation was suspended after Serb shelling killed at least three people and injured several, including two Canadian UN soldiers.

NEWS IN BRIEF

González puts job on line over charge

MR FELIPE González, the Spanish prime minister, said yesterday he was ready to resign if corruption charges against his Socialist party were proven, Reuters reports from Madrid.

But he added that he was convinced it could never be shown that he or any member of his government had made personal gains by abusing their position.

He made his statement when questioned at a Madrid university conference about specific charges of illegal financing of the Socialist party before the 1989 general election.

Toxic pollution alert on Rhine

The city of Düsseldorf issued a pollution alert for the Rhine yesterday after toxic materials flowed into the river following an accident at the chemicals group Bayer in nearby Leverkusen. Reuters reports from Düsseldorf. The authorities said, however, that there was no serious danger for humans or drinking water.

Oslo pledge on EC 'opt-outs'

The Norwegian government yesterday said it would seek no "opt-outs" from European Community policies, rules and regulations during upcoming negotiations on membership, writes Karen Fosli in Oslo. Mr Bjorn Tore Godal, the trade minister, also believed his country's resumption of commercial whaling would not require dispensation from Brussels.

Brussels to issue steel forecasts

The European Commission said yesterday it would set quarterly forecasts covering production and delivery of a range of steel products to encourage a resolution of the current problems in the industry, writes Andrew Baxter. The forecasts would begin in the second quarter of this year.

Austrian minister loses tax case

Austria's supreme court yesterday confirmed a guilty verdict for tax evasion by former finance minister, Hannes Androsch, Reuters reports from Vienna. Androsch was guilty of evading Sch6.1m (\$513,000) in taxes and was fined Sch1.8m in 1991.

Bonn seeks way round ban on military action abroad

By Quentin Peel in Bonn

THE Bonn government has agreed to keep German crews on board reconnaissance aircraft over the Adriatic if the UN Security Council decides to enforce a no-fly zone over Bosnia - but the decision will immediately be challenged in the constitutional court by the minority coalition partner.

Mr Klaus Kinkel, the foreign minister, vice-chancellor and senior member of the Free Democratic Party in the government, will allow his party colleagues to appeal against the decision approved by Chancellor Helmut Kohl.

In the meantime, German crews will not be allowed to fly on missions providing informa-

tion for UN enforcement. They will, however, be allowed to prepare the Awacs aircraft.

The court will be asked to consider whether keeping German crews on the reconnaissance aircraft offends against the constitution or not. Hitherto, that document has been interpreted to prohibit the use of any German military personnel on active operations outside the Nato area.

Mr Kohl's Christian Democrats insist that the constitution is not clear in its prohibition. The FDP and the opposition Social Democrats require a full constitutional amendment, which the SPD has refused to endorse.

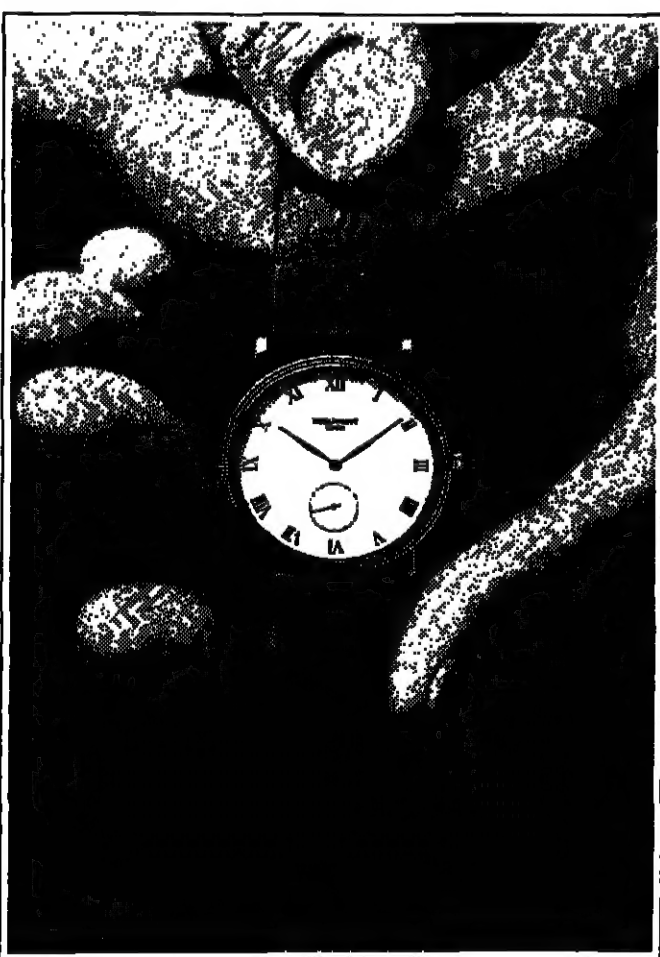
Mr Hans-Ulrich Klose, parlia-

mentary leader of the SPD, yesterday condemned the delicate manoeuvre as "simply ridiculous", and a "crazy piece of government trickery". A colleague called it "an early joke for April Fool's Day".

Even Mr Otto Lambsdorff, the leader of the FDP, said it was absurd and remarkable. But he, like Mr Wolfgang Schäuble, the parliamentary leader of the CDU, roundly blamed the opposition for forcing them into it: it was the refusal of the SPD to agree a constitutional amendment which left the coalition condemned to contortion.

Lawyers warn that the court may simply refer the issue back to Bonn for a constitutional amendment.

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Uncertainty over the final result fuels debate over key posts

French cabinet hopefuls line up

By David Suchan in Paris

FRANCE'S national election debate is fast giving way now to the Paris parlour game about who will get which cabinet jobs in the new centre-right government next week.

It is not yet a betting man's game because there are still too many uncertainties. It is not absolutely sure - though very probable - that the neo-Gaullist Republican Rally (RPR) will get more seats than its Union for French Democracy (UDF) partner in Sunday's run-off ballot. If it does, it seems certain that President Mitterrand will have to pick an RPR prime minister.

The clear choice is Mr Edouard Balladur, a former finance minister, rather than Gaullist leader, Mr Jacques Chirac. The latter clearly does not want to repeat his 1986-88 stint as prime minister and wants to keep his hands free to reach for the presidency itself.

If, perchance, the UDF were to come out of Sunday's run-off level with or above the RPR, then its leader, Mr Valéry Giscard d'Estaing, would be in the same predicament as his rival, Mr Chirac, and would probably also steer clear of the Hôtel Matignon, the premier's residence.

Another uncertainty is what, if any, influence President Mitterrand has on cabinet jobs, especially those in foreign and defence policy where the constitution gives the president a role. In 1986, when he was far stronger politically, Mr Mitterrand was said to have vetoed Mr François Léotard, leader of the Republican party affiliated to the UDF, as defence minister. But according to Elysée officials, Mr Chirac exaggerated the president's reservations because the RPR prime minister himself preferred to have a technocrat rather than an ambitious political rival like Mr Léotard in the defence job. The reality may thus be that, like much else in the period to come, Mr Mitterrand's influence will



Talent spotter: Edouard Balladur, a former finance minister, will be named prime minister if the RPR emerges with the most seats

depend on divisions between the new governing parties.

Mr Balladur would ideally like someone apolitical like Mr Jacques De Larosière, the present Bank of France governor, as finance minister so as to exert maximum influence himself over that post. But there are too few good jobs to satisfy a power-hungry coalition for the second most important post in the government is to be filled this way.

The finance ministry is thus pretty likely to go to the UDF federation. Mr Edmond Alphandéry, who three months ago refused Mr Mitterrand's offer of one of France's European commissionerships, wants the job.

But he may have to fight the leader of his Christian Democrat party, Mr Pierre Méhaignerie, for it. Another prominent UDF politician, Mr Alain Madelin, has ruled himself out of the finance ministry by advocating a floating of the franc, but may wind up with labour or transport.

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Fiat executives stay in prison

By Robert Graham in Rome

A MILAN civil liberties tribunal yesterday rejected requests for the release of two top Fiat executives held in prison since February 22 on charges of alleged corruption.

The tribunal accepted prosecution arguments that the two men, Mr Francesco Paolo Mattioli, Fiat's chief financial officer, and Mr Antonio Mosconi, head of Toro, the Turin car group's insurance arm, were liable to influence the course of justice if released.

The decision is a blow to Fiat since Mr Mattioli is one of the four top members of the group's management structure following a reorganisation last December. It is also underlining the determination of Milan

magistrates to press charges against the two men for their alleged involvement in the payment of L1.8bn (£221,000) in kick-backs by Cogefar-Imprest, Fiat's construction subsidiary, during the building of Milan's metro. Both Mr Mattioli and Mr Mosconi have served on the Cogefar-Imprest board.

Mr Vittorio Chiusano, Fiat's lawyer, commented wryly after the decision: "There was not much hope how the request would be received. He (Mr Mattioli) knew very well how the law was practised in Milan."

Last May Mr Enzo Papi, chief executive of Cogefar-Imprest, was arrested on similar charges and held for 55 days in prison until he confessed. Mr Papi's confession, along with that of a Christian Democrat

politician, are now being used in allegations against Mr Mattioli and Mosconi.

In other developments in Italy's corruption scandals yesterday, Mr Giuseppe Santoro, a senior diplomat formerly in charge of overseas aid at the foreign ministry, was arrested on charges of alleged extortion and abuse of office. His arrest is part of a wide-ranging investigation by Rome magistrates into the misuse of foreign aid, especially to Bangladesh, Somalia and Sudan that already involves Mr Gianni de Michelis, the former foreign secretary. Yesterday it was revealed that the latter's private secretary, Ms Barbera Cordini, was wanted for questioning.

Also explosive developments

are expected shortly in Naples where a series of confessions by local politicians has led to the naming of some of the city's most influential businessmen and political figures.

This week police have carried out a series of unprecedented searches of the offices of all the main parties in Naples. The city's magistrates are understood to be following seven separate lines of investigation of which the most important are misuse of funds following the 1980 Irpinia earthquake, the construction of a metro system and development related to the 1990 World Cup football competition.

Neapolitan politics have been based upon the biggest network of patronage in the country.

Fokker plans big job cuts

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft builder, yesterday announced plans for deep job cuts in response to the continuing malaise in the civil aviation market.

The company, which is due to pass into the control of Germany's Deutsche Aerospace (Dasa), is to eliminate 2,115 out

of 12,500 jobs this year, mostly through compulsory redundancies. Fokker said it did not expect demand for new aircraft to begin reviving until 1995.

The job losses had been expected, particularly after the company said several weeks ago that it was again reducing output to match lower sales prospects. Production of the 50-seater turboprop Fokker 50 is to be cut to 20 a year from 27,

while the number of new 100-seater Fokker 100s is to fall to 40 from 69.

Fokker said that the job losses and other cost-cutting moves will generate annual cost savings of F120m (£108m). Wages represent some 70 per cent of Fokker's production costs.

The company is also proposing to freeze the wages of its remaining workers.

Correction

Mr Pacini Battaglia

In a report of developments in the Italian corruption scandal in the Financial Times on March 16 it was said that Mr Pierfrancesco Pacini Battaglia was under arrest. We are asked to say that he is not under arrest, is not charged with any offence and is co-operating with the Italian authorities of his own volition.

Bundesbank cuts borrowing rate

By James Bütz, Economics Staff

PRESSURES inside the European exchange rate mechanism eased again yesterday after the Bundesbank surprised some currency dealers by announcing a large cut in the cost of borrowing one of its money market instruments.

The Bundesbank cut the interest rate on its 3-day Treasury bill by 90 basis points to 7.5 per cent. The move came a

week after the Bundesbank cut its discount rate by 50 basis points, also to 7.5 per cent.

Some dealers described the move as a significant easing of Bundesbank policy because the Treasury bill rate is sometimes seen as marking the effective floor for all German cash market rates. This is because commercial banks wishing to lend money can approach the bank and offer to sell funds in exchange for Treasury paper at the denominated interest rate.

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China to cut 8m bureaucratic jobs

By Tony Walker in Beijing

CHINA plans to cut staff in its vast bureaucracy and among bloated industrial enterprises by more than 8m, or 25 per cent of the total. It is also overhauling its entire bureaucratic structure, abolishing a number of ministries, bureaux and departments and creating new institutions to replace them.

If Beijing presses ahead with staff cuts and alterations to ministries - previous grandiose plans for bureaucratic reform have foundered - it would amount to the most sweeping reorganisation of the state since the early years of the People's Republic.

Ministers have also pledged to increase wages of state employees, partly to stem an alarming exodus of some of the government's more talented people to the private sector.

The government's timetable for these changes has not been spelled out.

Western officials note that Mr Deng Xiaoping, China's supreme leader, called for wholesale bureaucratic reform in 1979, but progress has been extremely slow because of resistance from entrenched interests.

But the recent explosion in the Chinese economy - economic growth last year was close to 13 per cent - had strengthened arguments for accelerated reform of China's

MR WU Jingheng, China's most celebrated dissident, has been shown on Hong Kong television - the first time he has appeared publicly since his imprisonment in 1978, Tony Walker writes.

The "unveiling" of Mr Wu, who is still serving a 15-year jail term, suggests that the authorities may be preparing the ground for his release. His appearance also seems aimed at answering international criticism of China's human rights record.

China is sensitive to continuing criticism in the US Congress, accompanied by threats that it may deny Beijing renewal of its Most Favoured Nation status, vital to its continued access to the huge American market. Beijing, which is bidding to stage the 2,000 Olympics, is also thought to want to forestall suggestions by human rights groups that its continued detention of dissidents should disqualify it from securing the Olympics.

Mr Wu, an electrician, was accused of passing military secrets to foreigners, and also of being one of the ringleaders of the democracy movement in the late 1970s. The long-serving dissident had never admitted his guilt.

sprawling state sector.

One official said that, while scepticism was in order about China's likely success in "downsizing" its giant bureaucracy, "what's going on here is not smoke and mirrors."

Perhaps the most important aim of the restructuring, apart from reducing numbers, was to strengthen policy-making departments at the centre, while hiving off sections of the bureaucracy engaged in commercial activities into decentralised corporations.

Sketchy details of the government's plans to slash staff were disclosed at a Beijing press conference this week by Mr Zhan Dongwan, the minister of personnel, who outlined cuts of more than 25 per cent to state industrial enterprises,

and 20 per cent to party and government agencies.

He said government staff totalled 36m. Party employees and bureaucrats number 9.2m. The plans are being debated at the current session of the National People's Congress, or parliament. A number of deputies have opposed the changes.

Mr Zhan pledged that the "mass lay-offs" would not spawn unemployment. Redundant staff would find work in other areas such as the service sector, or would "return to the grass roots." Others would be retrained. The retirement age would be strictly enforced.

"Government organisations at all levels are overstaffed which runs counter to our market economy," he declared. Among changes proposed to



Chinese Communist Party secretary general Jiang Zemin, Deng Xiaoping's anointed heir, at the 8th National People's Congress in Beijing this week. Jiang will preside over efforts on bureaucratic reform when Deng finally steps down

the ministerial structure are abolition of seven ministries: Energy, Machine Building and Electronics Industries, Aviation and Space Industries,

Light Industry, Textile Industry and Commerce and Supplies. In their place the government is proposing five new ministries.

Japanese commercial land prices still falling

By Robert Thomson in Tokyo

JAPANESE commercial land prices fell an average 11.4 per cent last year, the first time there have been two consecutive years of decline, the National Land Agency said yesterday.

The continuing fall reflects the pressure on Japanese banks, much of whose bad loan burden arises from lending to property developers or their acceptance of over-priced property as collateral. Commercial property values slipped by as much as 24.2 per cent in the area around Osaka, Japan's second largest city, where prices surged above those of Tokyo in the late 1980s during the so-called "bubble era".

Residential prices fell by an average 8.7 per cent nationally, with the largest fall of 23.8 per cent also in the Osaka area, where speculative building of apartments peaked just after the asset price collapse began in early 1990.

The agency said the fall in prices appears to be continuing, although in some residential areas of Tokyo buyers have re-emerged in recent months, believing that prices are near their bottom.

Commercial prices are particularly weak, as developers have continued with projects in the hope that the market would improve, creating an ever larger glut of office space in areas of Tokyo and Osaka.

Japanese banks are hoping that the property market will be stimulated by the work of their Co-operative Credit Purchasing Company (CCPC), which was established in January and yesterday began buying banks' non-performing loans and assessing property collateral.

In coming days, CCPC is expected to release a list of deals done and assessed property values, which the banking industry would like to use as a floor for still falling prices. However, it is expected that the company will be reluctant to assess properties too harshly for fear of prompting further price falls.

Netanyahu voted Likud leader

By Roger Matthews in Jerusalem

MR Binyamin Netanyahu was yesterday elected leader of Israel's right-wing opposition Likud party and is likely to be a strong contender for the premiership when it is contested in about three years' time.

At 46, he is the first of the younger generation of Israeli politicians to emerge as a contender for the country's highest office and can be expected to launch an immediate assault on the performance of Mr Yitzhak Rabin, the prime minister, who led Labour to victory in last June's general election - the result that prompted the retirement of the veteran Mr Yitzhak Shamir as Likud's leader.

Mr Netanyahu, best known in Israel as "Bibi", won the four-cornered contest by a surprisingly large margin of 52.1 per cent of the vote by Likud members, against 26.3 per cent for Mr David Levy, a former foreign minister, 15.1 per cent for Mr Benny Begin, son of former prime minister Menachem Begin, and 6.6 per cent for Mr Moshe Katsav, a former transport minister.

The size of Mr Netanyahu's victory should allow him to exercise authority over a

divided party which suffered from a bruising and bitter leadership campaign.

The run-up to the election was marked by an extraordinary allegation by Mr Netanyahu that a senior Likud opponent had attempted to blackmail him over his marital infidelities. Mr Levy, who claimed that the allegation was aimed at him, said in advance of yesterday's result that he could not serve under Mr Netanyahu.

After yesterday's result Mr Levy asked: "Can I co-operate with someone who called me a criminal?" He refused to congratulate the winner but said that he would stay in the party. The other two candidates both said they would co-operate with the new leader. It is believed most other former Likud cabinet ministers also voted for candidates other than the winner.

Mr Netanyahu is best known internationally as Israel's principal spokesman during the Gulf war but has also served as deputy foreign minister and ambassador to the UN. His mastery of television, good looks, and ability to speak in short, pithy sentences, worked in his favour but has prompted accusations that he lacks depth and political conviction.

Akers-Jones asserts his loyalty to HK

By Simon Holberton in Hong Kong

SIR David Akers-Jones, the former chief secretary of Hong Kong who will shortly become China's first expatriate adviser on the colony's affairs, is a little confused.

He has been surprised and, yes, a little saddened, by the reaction to his appointment in Britain, the land of his birth. The adjective "perfidious", which China reserves for Governor Chris Patten, has, in the UK at least, now been used to describe his decision to accept Beijing's shuffling; his loyalty has been questioned.

"There is no question about my loyalty," Sir David said yesterday. "My loyalty is to Hong Kong and my desire to do all I can to help Hong Kong with its relations with China - to ensure co-operation and understanding."

Sir David's mooted appointment as a China adviser, which has yet to be formally announced, has drawn a cool response from the Hong Kong government, his former employer. Between clenched teeth, colleagues are contemptuous of his decision.

"The Chinese are welcome to him," said one.

Others commented that, in his professional life, he had always been willing to see China's point of view and had advocated a slow development of democracy in the colony. Sir David, who is clearly proud of being chosen as China's first expatriate adviser, says he hopes to be able to contribute advice to China from a different point of view to its local Hong Kong Chinese advisers.

"I have been involved in the political development of Hong Kong for a great deal of my professional life as well as in

its planning and infrastructure development. I think I know what we need to do for the territory's future development," he said.

"There is a lack of knowledge in Beijing of how the Hong Kong government works and how decisions are taken. This could be very useful to China and so I hope to be able to bring some of that knowledge and understanding to bear in the advice I give."

As for Hong Kong's political system, he regards the introduction of limited democratic elections, in September 1991, as a retrograde step. They did not, he believes, produce a Legislative Council (the local law making body) "representative of Hong Kong's polity".

He is concerned about the government's plans for elections in 1995 and accepts China's reading of the current breakdown of relations.

"I would like to see the government return to the understandings reached [between the UK and China in early 1990] and the assumptions the Chinese quite reasonably made from those exchanges."

In particular, the Hong Kong government should shelve its plans to create nine new LegCo seats, the electorates of which are drawn from Hong Kong's 2.7m working population. Instead, they should resemble the existing "functional" seats which draw their voters from the professions and business groups.

"One of the achievements of Lord Wilson [the colony's former governor] was the idea of the smooth transition and the 'through train' concept, whereby those elected in 1995 served after 1997. It is an achievement that should not be sacrificed."

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Nevertheless, it is too much to ask that the next time we strike oil, the gods could exercise a bit more restraint...

NEWS: THE AMERICAS

US home sales fall sharply again

By Michael Prowse
in Washington

SALES of existing US homes fell sharply in February for the second month running, but most analysts expect a recovery in the spring following a recent surge in mortgage applications.

Sales fell 6.1 per cent last month to a seasonally adjusted annual rate of 3.55m, according to figures from the National Association of Realtors. This followed a 6.4 per cent decline between December and January.

The fall since Christmas has wiped out most of the market's recovery last year, leaving sales only 2.6 per cent higher than in February 1992.

The figures are notoriously volatile and contrasted with analysts' forecasts of a modest rebound in sales following a

weaker-than-expected housing market in January.

The weakness last month was broadly based, with all regions, including the west and south, reporting falling sales. This suggests the decline is not fully accounted for by adverse weather conditions mainly afflicting the east coast.

Economists at Merrill Lynch, the New York broker, predicted a strong sales recovery from next month, reflecting a sharp increase in mortgage applications in recent weeks after the decline in long-term interest rates.

Mr William Chee, president of the National Association of Realtors, said: "More people are becoming convinced the recovery is here to stay. There is substantial pent-up demand to be filled, due to consumer reluctance to enter the market during the recession."

Separate figures published yesterday showed a slight decline in state claims for unemployment insurance to 349,000 in the week ending March 20, indicating labour market conditions are improving slowly.

The Federal Reserve Board chairman Alan Greenspan said there was some reason for optimism that bank lending would improve, although problems remained, Reuter reports from Washington.

In prepared testimony before the House committee on small business, Mr Greenspan said there was some "firmness" in commercial real estate markets and surveys by the Fed indicated banks were feeling less cautious about loans and risk-taking. Nevertheless, the effect on banks of "excess optimism in real estate in the 1990s is not... as yet behind us."

Remember third world, says Bank chief

By Michael Prowse

WESTERN governments must not allow the problems of Russia and other former Soviet republics to divert attention from the needs of even poorer countries in the third world, Mr Lewis Preston, the World Bank president, warned in a carefully timed speech yesterday.

"We must not neglect what is the fundamental challenge of the remainder of this decade: development - economic and social progress

throughout the world," he said, noting that 60 per cent of the world's population subsisted on less than \$2 a day.

The Group of Seven leading industrial countries is preparing a package of support for Russia.

Mr Preston criticised governments for cutting aid budgets when the list of countries needing help was growing and called on the US in particular to honour its \$3.75bn commitment to a planned \$18bn replenishment of funds for the International Development

Association, the arm of the bank that provides highly concessional loans for the poorest countries.

Bank officials are worried that the US Congress may balk at approving the US's generous contribution to IDA, which was agreed during the final months of the Bush administration. The fear is that the domestic sacrifices called for in President Bill Clinton's economic plan, coupled with pressure for increased financial support for Russia, will erode congressional support for

foreign aid, which tends to be fragile at the best of times.

"Without US approval, the agreement could completely unravel," Mr Preston said, noting that each dollar committed by the US was matched by \$4 from other countries.

Support for economic development was the "only solution to the challenges of the post-cold war era," he said. There was a growing "commonality of interests" between rich and poor countries because a fifth of world output was now traded between the developed

and developing worlds.

In the US, trade with developing countries was the fastest growing segment of the economy. Helping poor countries was thus "one of the most effective ways to create jobs and wealth here in America," he said.

"Conversely, not helping the poorer countries carries negative consequences for us all" - including increasing numbers of refugees, spread of drugs and disease and the prospect of an "irreversibly damaged" environment.

Franco curbs Brazilian electricity price rises

By Christina Lamb
in Rio de Janeiro

PRESIDENT Itamar Franco of Brazil yesterday announced a 30 per cent limit on electricity price increases for April and imposed a limit of 5 per cent above inflation per month for the next five months.

The president's action

appears to threaten the radical change in Brazil's energy policy implemented in January to allow state distribution companies to decide their own electricity tariffs.

The new limits were prompted by a decision by the state of Mato Grosso do Sul on Wednesday to raise electricity prices by 86 per cent.

The policy change giving the states a free hand on prices was approved by Congress in January with the aim of recuperating the financial health of Eletrobras, the state holding company, which is owed an estimated \$800m by its distributors. They in turn are owed large amounts by state companies.

Energy tariffs have always been set at one price by the federal government, regardless of the efficiency of the local concessionary, and kept deliberately low by governments to contain inflation. The president of Eletrobras says prices are now at a historic low in real terms.

Under the new legislation

the local distribution companies of Brazil's 27 states were told they were free to set their own tariffs from the beginning of April after presenting cost plans to the federal government.

The heads of state companies say price rises allowed under the president's new restrictions are insufficient.

● Poverty in Latin America: As the IADB meets in Hamburg, FT writers look at the plight of individual countries

Lands where rich and poor are furthest apart

By Stephen Fidler, Latin America Editor

LATIN America's governments have won wide praise for economic reform programmes credited with restoring growth and lowering inflation. Investors have responded enthusiastically. Net capital inflows to Latin America last year exceeded \$50bn, suggesting much of the region is at last emerging from the debt crisis of the 1980s.

Yet the recession induced by the debt crisis may have left a more lasting legacy that could yet thwart the aspirations of these new investors and reverse the pro-market economic policies that encouraged them. The shift to democracy in much of the region may also be at risk.

The problem is poverty and the related issue of income inequality. Income is more concentrated in the hands of the rich in Latin America than in any other region of the world. In the 1980s, inequalities worsened significantly and poverty increased.

Meeting last year in Washington, the region's finance ministers decided this could undo all their good work. Social objectives - to enable the poor to benefit from growth - were pushed up their agendas. Partly as a result, social issues are a high priority at this year's annual meetings of the Inter-American Development Bank, starting today in Hamburg.

Yet raising national income is a complicated task; adding specific policies to improve income distribution makes it

more so. As a two-year round of presidential elections approaches in the region, the question arises of whether both issues can be tackled in the framework of economic policies still regarded favourably by investors. "Spending more is easy, spending better is difficult," says Mr Gustavo Marquez, a Venezuelan expert on poverty.

A study from the World Bank underlines the deterioration in social conditions in the 1980s. It suggests the number of people in poverty - defined as a household income in 1985 dollars of \$60 monthly - in Latin America grew from 27 per cent of the population in 1980 to 33 per cent in 1989. Other estimates suggest a more dramatic increase in poverty through the decade from 130m to 180m, two-fifths of

the population. The study also suggests income inequalities grew in all except four countries: Colombia, Costa Rica, Paraguay and Uruguay.

In the 1980s, the study indicates, poverty in Latin America and the Caribbean became a mainly urban rather than rural problem. More of the poor now live in cities (62m) than in the country (64m); in 1980, most of the poor lived in rural areas (63m) rather than in urban areas (39m).

Most poverty is concentrated in a few countries. Brazil alone, with one-third of the population, accounts for 44 per cent of the poor. Mexico had 11 per cent and Peru 9 per cent. A further 19 per cent lived in a small group of countries including Bolivia, El Salvador, Haiti, Honduras and Nicaragua.

As much as 44 per cent of the total increase in poverty in the 1980s was in Brazil, and 14 per cent in Peru.

Resolving the poverty issue is on the face of it simple, but in practice hugely complicated. Wealth is so concentrated in Latin America that a relatively modest sacrifice could apparently address the problem. As the World Bank's 1990 World Development Report suggested: "Raising all the poor in the continent to just above the poverty line would cost only 0.7 per cent of regional GDP - the approximate equivalent of a 2 per cent income tax on the wealthiest fifth of the population."

Even if such taxes were levied - and, even less likely, paid - social programmes would still have to be implemented. These

fall into two categories: trying to provide support to alleviate immediate suffering, and aiming at longer-term objectives, such as improving education and health standards to provide a way out of poverty.

Yet Latin American experience has been that little of the money aimed directly at the poor reaches them, raising the question of how to manage poverty programmes. Furthermore, attempts to deal with issues such as health and education founder usually against the opposition of powerful vested interests such as teachers' and health workers' unions.

Poverty and Income Distribution in Latin America: The story of the 1980s. World Bank Human Resources Division, 1818 H Street NW, Washington DC.

Caracas residents decide to do it themselves

By Stephen Fidler, Latin America Editor

BARRIO Unión, rising up the slopes of the mountains east of Caracas, is by no means the worst of the slums in Venezuela, one of the region's richer countries. It is a comparatively old *barrio bajo*, having emerged in the 1850s. Most houses are built of chander-block rather than the chipboard that dominates newer slums. The residents paint a depressing picture of a decline in the 1980s which progressively worsened.

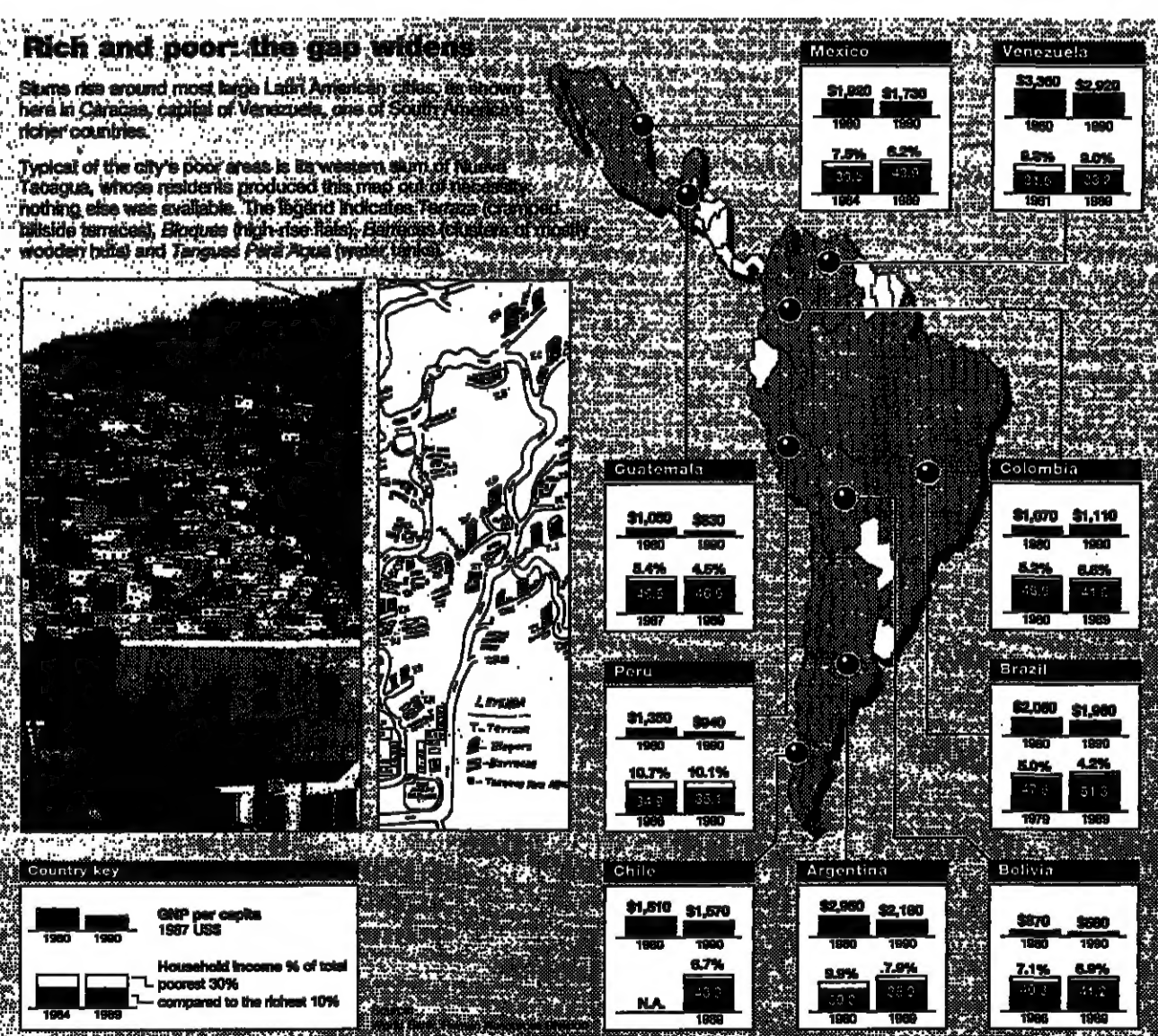
"The years 1988, 1989 and 1990 were disastrous for the Barrio Unión," says a community leader, Ms Cira Macado.

In almost every contact with it, the citizens of Barrio Unión are given reason for deeper distrust. They see police in league with the drug traffickers; soldiers arriving with weapons to sell to criminals; politicians who arrive just before election time laden with promises.

The country is Latin America's most urban society - 85 per cent of the population lives in the cities.

The government put in place "targeted" poverty programmes after the February 1989 food riots. Yet claiming the food and other benefits often means travelling long distances, and hours in queues waiting for handouts.

These targeted measures are described by Mr Gustavo Marquez, an expert in poverty at the Caracas business school IESE, as "the most important effort ever made by any government in Venezuela to support low income groups through an economic crisis". However, although in 1991 the



Mexico: Salinas leads the attack on poverty

By Damian Fraser

IN THE dusty squatter town of Chalco, in the state of Mexico, slogans for Solidarity cover billboards and houses. Schools, roads and clinics are named Solidarity. Women in blue tracksuits roam the streets promoting Solidarity.

This is Mexico's \$2.7bn a year anti-poverty initiative, the most visible government programme of President Carlos Salinas de Gortari. Attacked by critics as a pork-barrel that subverts democracy, Solidarity is hailed by government officials as a leap forward.

The need for some kind of anti-poverty programme is uncontroversial. According to the World Bank around 30 per cent of Mexicans - 17m people - are extremely poor; that is, they do not have enough money to meet minimum nutritional levels. Most of these live in the countryside. They have the lowest levels of education and are from, and have, large families.

Solidarity is intended to integrate these people into the mainstream economy, by giving them critical public services, and letting them benefit from the government's pro-market economic reforms and restructuring (lowering inflation to single digits, reducing middle-class subsidies and reforming agriculture). In four years, Solidarity has provided around 10m people with electricity and water, 6m with drainage, provided half a million school scholarships and created 2,400 small businesses.

Unlike many poverty plans, the Solidarity infrastructure programme does not pour money into depressed areas. It is founded largely on the president's belief that projects that are run locally will be better supported and more efficient. The community must first

form a Solidarity committee which requests funds for specific projects. The federal or state government provides basic materials, technical help, and the local Solidarity committee builds its road, school, or clinic.

Since the community is sharing the cost of a project (through time committed) and identifying its own needs, it is unlikely to choose plans that do not benefit it. Further, the federal government saves money. Mr Carlos Rojas, head of Solidarity, estimates that roads are built at 70 per cent of normal cost and schools at 60 per cent.

There are about 100,000 Solidarity committees around the country, forming a network of support for Mr Salinas.

The president has taken care to ensure he is identified closely with the programme: he spends two days a week inaugurating Solidarity projects and handing out land titles, dashing with his entourage of journalists, businessmen, and politicians from village to village by helicopter. The school, clinic, or land title is then widely seen as his personal gift.

The opposition argues that the programme undermines democracy by making it difficult for the opposition to compete.

There is also evidence Solidarity spending is directed politically. Mr Juan Molinar, a professor at the Colegio de Mexico, has just completed an econometric evaluation of Solidarity spending and concludes: "Solidarity is not an apolitical policy for alleviating poverty; on the contrary it is clear that the central planners make the decision to spend based on political and electoral concerns."

Thw World Bank asks whether the Solidarity pro-

gramme should be more focused on its key programmes. It covers food support for the undernourished, free credit for farmers, risk capital for small businesses, scholarships for children, land titles for squatters, and urgent infrastructure needs, such as roads, electricity, hospitals, to name a few.

Government officials retort that an all-embracing programme is necessary given the costs associated with the restructuring of Mexico's economy. Mr Donald Colosio, social development minister, says: "The network of social protection is crucial given the current economic restructuring, above all the [economy's] technological and productive transformation." Solidarity, Mr Colosio says, is thus helping start new businesses in parts of the country worse hit by industrial restructuring - Puebla, Veracruz, and northern Tabasco.

Mr Carlos Flores Rico, the social development delegate for the state of Mexico, argues Solidarity has helped the Institutional Revolutionary Party electorally not just because it gives public goods away, but also because it gives citizens a stake in their community. "Now people own their houses, electricity, and water whereas before they were outcasts," he says. Their view of the system has changed.

For this reason, even those like the World Bank who believe the structural economic reforms are likely to have a longer term impact than a \$2bn-\$3bn anti-poverty programme, accept the value of Solidarity.

The programme, they argue, has helped generate political support for economic reforms by giving people tangible benefits instead of just hardship.

Brazil: 'the problem is lack of shame, not lack of money'

By Christina Lamb
in Rio de Janeiro

GERALDO MARINHO lives on a hill with one of the most spectacular views in the world. Spread out below is the palm-fringed crescent of Rio's São Conrado beach, lined with luxury apartments blocks, their rooftop swimming pools glimmering in the sun.

Unlike those he looks down upon, Mr Marinho lives with his seven-member family in a crumbling two-roomed shack in Rocinha, one of the many *favelas*, or slums, clinging to the hills of Rio, and the largest in Latin America.

Mr Marinho's home is reached through a labyrinth of narrow passageways, crowded with similar

shacks. No door can shut out the fetid smell from the black stream of sewage and litter gushing alongside with its constant threat of diseases such as cholera.

Mr Marinho is one of 43m Brazilians living in poverty. Brazil has one of the world's biggest gaps between rich and poor. The richest 20 per cent earn more than 26 times the poorest.

Despite being the richest economy in Latin America and the ninth largest in the world, Brazil's infant mortality and illiteracy rates rank along with Bolivia and Guatemala as the worst in the continent. The world's second largest food exporter, Brazil has scenes of hunger comparable to famine-struck Africa.

Mr Jutahy Magalhães, minister for Social Welfare, sums up: "We are simultaneously the most developed and the poorest country in Latin America. We export technology and manufacture satellites yet we have not erased diseases of the middle ages."

Long ignored by politicians, Brazil's "social apartheid" is now provoking hot debate. The army minister has warned of social unrest and President Itamar Franco has called for his ministers to devise poverty eradication programmes after receiving a "hunger map" showing 32m Brazilians suffering chronic malnutrition.

Those in Rocinha are sceptical. "Governments are just for the rich," says Mr Jose Carlos de Souza from

the Favela Association.

The rapid industrialisation which transformed Brazil from a sleepy coffee economy to an industrial power and saw an annual growth rate of 7 per cent between 1940 and 1980 served largely to strengthen the grip of the elites. Today's real minimum wage of \$64 per month for example is two-thirds of its 1940 level.

The recession of the past three years has worsened the situation, with higher unemployment and inflation.

Brazil's poverty has been made more visible by the rural migration which accompanied industrialisation. Since 1960 the proportion of the population living in cities has risen from 40 to 75 per cent.

Official figures show the number of *favelas* in Rio has increased from 373 to 570 in the past 10 years; in the city of Recife they are home to 44 per cent of the population. According to Mr Jutahy, Brazil's housing deficit is 10m and rising. Most poverty is concentrated in the north-east. The area suffers blistering yearly droughts because of the lack of infrastructure to harness the country's rainfall.

Despite the government's current cash crisis, Brazil's social problems do not emanate from a lack of funds. Rather than tackle the real causes, politicians have offered short-term solutions such as emergency food-baskets, usually around election time.

Much of the money allocated to

social programmes is lost through waste and corruption. Mr Jutahy estimates as little as 15 per cent of federal funds reach their intended destinations. A World Bank official says: "This wouldn't be so bad if what was left was spent usefully, but it's not." This has discouraged action by international agencies. Mr Agop Kayayan, Unicef representative in Brazil, says: "I feel like Don Quixote tilting at windmills."

The fact that the problems can be tackled is demonstrated by the recent experience of Ceara, Brazil's third poorest state. Despite inheriting a bankrupt administration on becoming governor in 1986, Mr Tasso Jereissati managed to reduce infant mortality by a third. He says: "The problem in Brazil is far more

lack of shame than lack of money."

The Jereissatis in Ceara are few, and all faith in the political system. "We are heading towards an explosive situation," says Mr Jutahy.

Brazil is the world's second largest market for private jets, yet 52 per cent of the working population earn less than \$120 a month.

Shocked by the contrast between Brazil's haves and have-nots, particularly visible in Rio, visitors often ask why there is no revolution. In fact, groups from the *favelas* have taken to attacking supermarkets and emptying them of produce. One can be shot for a pair of sneakers or point. In some ways the revolution has already started.

هكذا من النقص

Marathon debate hailed as Maastricht victory

By Alison Smith

A MARATHON House of Commons sitting of more than 22 hours on the detailed discussion of the Maastricht bill was hailed by ministers yesterday as having broken the back of the legislation's grudging passage through parliament.

Despite the procedural victory, however, the government still faces serious difficulties on outstanding amendments to the legislation which threaten to unite all the opposition parties and the Tory rebels over the social chapter, which enshrines the social dimension

of the Maastricht Treaty. The all-night sitting of the House of Commons, which finished only at lunchtime yesterday 22 hours after it began, was a significant boost to the morale of Euro-enthusiastic Tory backbenchers.

They had been growing increasingly angry that on several occasions the government whips, the MPs in charge of internal party discipline, had not even tried to force a vote on extending the sittings on the Maastricht Bill (draft law) because they were likely to lose.

"It was nice to have a gov-

ernment win on Maastricht," one loyalist said, while one official commented: "We are in clear sight of the end of the committee stage. We are on track."

The opposition Labour Party admitted yesterday that, unless the government were foolish in trying to force a weekend sitting, they would be able to organise matters so that they could rely on centre party Liberal Democrat support in future procedural votes.

That impression was reinforced yesterday, when Mr Paddy Ashdown, the Liberal Democrat leader, urged Labour

to change its approach to the consideration of the bill. "Labour is going to have to change its tactics if its credibility as a pro-European party is not seriously damaged," he said.

Labour and the Tory rebels opposed the government's motion on Wednesday night to allow the extended debate to take place. But the support of the Liberal Democrats enabled the government to win by 17 votes (296 votes to 279), on a division to extend the 17th day of detailed Commons discussion of the bill beyond 10pm.

A total of 26 Tory rebels, five

Ulster Unionists, two Scottish Nationalists and one Lib Dem voted with Labour against the extension.

The rapid progress made overnight means that the Commons were able to cover three groups of amendments dealing with the European central bank and national banking arrangements, EC economic policy and national government deficits. MPs continued the discussion of economic and monetary union when debate resumed yesterday afternoon.

It brings closer, however, the critical vote on the social chapter which is already in the

schedule, quite apart from the question of whether Mr Michael Morris, the deputy speaker, will allow a further debate on the social chapter. This could aggravate the government's difficulties if more amendments are chosen for inclusion.

The Euro-sceptics insist there is more scope for delay and some said morale was still high because their arguments were getting through. But others conceded that the main debates had been taken. Sir Teddy Taylor, a leading rebel, said that the government had "blitzed through" the main parts of the bill.

With the nineteenth day of debate scheduled for next week, the extended sitting has given the government added assurance that it will be able to complete the detailed committee stage discussion and have time for a report stage before the second Danish referendum on 18 May.

Mr Tristram Garel-Jones, the European affairs minister, said early yesterday: "We remain on course to complete the committee and report stages before the Danish referendum [May 18] and take the third reading immediately afterwards."

Recovery in order books set to boost factory output

By Peter Norman, Economics Editor

BRITISH manufacturing industry expects to increase output over the next four months following a recovery in order books to their best levels since the summer of 1990, according to the Confederation of British Industry.

In its monthly survey of industrial trends, the CBI - the employers' organisation - said output expectations "are now clearly positive", having increased for three months in succession.

The latest CBI UK economic forecast, also published today, points to the first economic recovery led by manufacturing industry in Britain since the late 1980s.

CBI officials warned that it was too early to celebrate the end of the recession. More than 40 per cent of companies still consider their order books are below normal while nearly one in four says its stocks of finished goods are more than adequate to meet demand.

Mr Howard Davies, CBI director general, welcomed evidence of improved home and export demand as "another indication that the economy may now be growing again". But he warned that the sharp deterioration in economic trends on the continent meant "we cannot yet be sure that the recession is over".

The CBI polled 1,413 companies employing about 2m people in 50 different industries between February 26 and March 17. Nearly all replied before last week's budget.

The survey found that 26 per cent expect to increase output over the next four months compared with 18 per cent anticipating a decrease and 56 per cent saying output would remain unchanged. The balance of 10 per cent of companies expecting to increase production was the third positive balance in three months and the best result since May last year.

According to Mr Andrew Sentance, CBI economics director, the survey's findings on output were consistent with a rise in UK manufacturing production in the second quarter of this year.

For the whole of this year, the CBI expects manufacturing output to grow by 1.6 per cent compared with its forecast of 1.4 per cent growth in UK gross domestic product.

Britain in brief



BBC forms strategic link with ABC

The BBC and the ABC network in the US are joining forces to create one of the largest television and radio news gathering operations in the world. The new alliance will involve sharing bureaux and correspondents around the world.

At present ABC has close links with Independent Television News and the BBC's US partner has traditionally been the NBC network.

Mr Tony Hall, managing director of BBC news and current affairs, said yesterday that the agreement brought together two of the world's largest news gatherers.

The BBC has more than 50 foreign bureaux and ABC has bureaux in Europe, the Middle East and Far East.

Bank discloses lifeboats

Some small and medium-size UK banks are receiving financial support from the Bank of England, the Bank disclosed.

The Bank of England took the highly unusual step of disclosing that in the second half of 1991 it launched a financial lifeboat for a number of small and medium-size banks.

BCCI ruling on 'set off'

A High Court ruling won by former customers of the collapsed Bank of Credit and Commerce International that they could "set off" deposits against their debts to the bank was upheld yesterday by the Court of Appeal.

Three judges dismissed appeals by Touche Ross, the BCCI liquidators, against two groups of associated companies and their directors who had backed with BCCI.

When the bank was wound up, Imperbond Ltd and Tucan Ltd together owed about £2.5m, whilst a guarantor director had deposits worth about £4.5m.

In the second case, director Mr Raees Ahmed had £426,000 on deposit whilst his companies owed over £1m. Both men had signed guarantee forms for their companies' debts.

Airports face noise scrutiny

New measures to control aircraft noise announced by the government will make airports more directly responsible

for noise levels. The government said the system will be based on the existing, mainly voluntary regime of control at most airports. But if voluntary arrangements did not work, airports would be required to develop schemes for controlling noise under a new power to be created.

Banks face £25m payment

National Westminster Bank and Hambros Bank face a possible repayment of more than £25m to investors, following an initial ruling by the Inland Revenue that shares in their "Homeshare" loan-backed Business Expansion Scheme companies were not issued in time to beat the budget deadline.

The budget disallowed loans on BES shares, unless the shares had been issued to investors before midnight on the day before the budget itself. According to the Inland Revenue, it would be left to the discretion of individual tax inspectors to decide whether shares had been properly issued in time for the deadline.

NatWest and Hambros, which sponsored the issue, wrote to investors, and said: "Despite advice from leading counsel to the effect that the shares were issued by the Homeshare companies before March 16 1993 for the purposes of the proposed legislation, a preliminary indication from the Inland Revenue is that they do not agree."

The banks said they would pursue the issue with the Inland Revenue "with vigour". If these efforts are unsuccessful they will consider alternative courses of action to provide an exit for investors who would have made use of the loan facility.

Privatisation should help British Coal become more competitive

Reprieve for pits may offer only short-term answer

By Michael Smith

A TRANSFORMATION in the British coal industry was set in motion by yesterday's policy document or white paper. But in three years' time the industry under British Coal - or its successors under the privatisation promised - may be little different in size and efficiency to how the government envisaged it would be before the pit crisis erupted.

Public pressure has forced a reprieve for most of the 31 pits originally earmarked for closure but in many cases the reprieve will be temporary, in some cases it will last perhaps less than a year.

Radical changes in working practices were outlined, for example, the 1998 restriction on hours worked underground will be removed. But privatisation may have made these changes inevitable.

The changes will help British Coal become more competitive, but matching the prices of international competitors by the time of privatisation, probably in two or three years, will be a struggle. If it proves impossible, PowerGen and National Power will look abroad once more for the coal needed above "base tonnage" contracts that must be signed by the end of the month.

By 1995 the coal industry will have to compete with increasing amounts of nuclear power and, more importantly, gas-fired electricity. The

chances of keeping all 31 surviving pits open after two years, let alone re-opening the seven which were mothballed yesterday, seem remote.

Negotiations between British Coal and the electricity generators will continue on additional tonnages above the base contracts. There was nothing in yesterday's document, however, likely to persuade the electricity industry to take anything like the 65.5m tonnes over five years which the government originally hoped for.

Even 40m tonnes will be difficult following the imposition of VAT on domestic fuel prices which will depress the demand for coal.

What has become clear, is that the government is setting a course for gradual privatisation of the coal industry by selling off the 12 pits which are to be mothballed and the seven which are to be mothballed. In the meantime, British Coal's powers over potential competitors will be reduced by the establishment of an independent coal authority.



Michael Heseltine, trade and industry secretary, making his long-awaited statement on energy yesterday to parliament

British Coal anticipates the closure of two collieries and the mothballing of seven will mean about 5,800 jobs lost. That compares with more than 30,000 envisaged in October, although more than 8,000 have left the industry since then. British Coal was sanguine about the white paper's outcome. "We accept it represents the best outcome from the review that can be achieved," said Mr Neil Clarke, chairman.

Editorial Comment, Page 15



WWF World Wide Fund For Nature

(formerly World Wildlife Fund)
International Secretariat, 1106 Gland, Switzerland.

Outside the industrialised west, no-one has to be told to respect their elders. It's simply the way society is organised.

Which is why WWF - World Wide Fund for Nature tries to work with older people in the villages of the rainforests. With WWF's help, they learn to teach the younger members of their communities about conservation.

In Kafue Flats, Zambia, it's Chief Hamusonde (93).

Chief Bakary (78), is our man in Anjavimavany, northern Madagascar.

In San Klong Sai, Thailand, we invoke the Venerable Papasoo Bhikkhu, seventy-three year old chief Buddhist monk.

This isn't just expediency, it's how WWF believes conservation projects should be run. Before you teach someone, we believe you have to learn from them.

We spend years visiting village after village, talking to the people, listening to them, living with them, understanding how they live their lives.

Only then are we able to gain the confidence of the village elders.

Once they realise we're on their side, our elderly converts precious conservation with a zeal that belies their years.

"Uncle" Prom (68), another of our Thai community leaders, tells us that he frequently gets scolded when he starts telling people in the market that they should leave the forest alone. But he gets results.

Uncle Prom and his fellow villagers recently managed to prevent a new logging concession, and set up a community forest where tree felling is now forbidden.

Ninety-three year old Chief Hamusonde also makes things happen.

Income from the Kafue Flats game reserve in Zambia is funding a school, a clinic and new water boreholes for the local villages.

In Madagascar, seventy-eight year old Chief Bakary's village makes a profit by selling fruit grown in their new tree nursery.

More importantly, Chief Bakary's village now takes fewer trees from the rainforest because the nursery can provide firewood and poles for construction.

Not that we don't believe in catching them while they're young. WWF also organises special training courses to help teachers incorporate conservation into the curriculum.

20,000 primary teachers in Madagascar have already taken part.

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NEWS: UK

GM considers UK for £200m engine plant

By Kevin Done,
Motor Industry Correspondent

GENERAL Motors, the US vehicle maker, is considering a UK location for a new diesel engine plant in an investment that could be worth more than £200m.

Britain is facing stiff competition from several other potential sites in Europe for one of the largest inward investment projects in the west European automotive industry.

As part of the UK campaign Mr Michael Heseltine, trade and industry secretary, held talks this week in London with Mr Louis Hughes, president of General Motors Europe. Earlier this year a DTI team visited GM Europe's headquarters in Zurich to press the UK's case.

Mr William Ebbert, chairman and managing director of Vauxhall, the UK subsidiary of GM, said the attractiveness of the UK was being hampered by its uncompetitive grant aid regime. "UK grants do not compete with the kind of support being offered by our European neighbours. We want to see a stronger UK manufacturing base and the government could help to attract inward investment through a more liberal approach to grants."

The government has argued to GM that the UK has significant advantages, including lower labour costs, favourable corporate taxation, an expanding components supply base and more flexible labour practices outside the social chapter of the Maastricht Treaty.

According to Mr Hughes, GM is planning investments for the mid to late 1990s in new capacity for both diesel engines and multi-valve petrol engines. "We must find the most efficient way of making these investments. We are looking for the most cost-efficient place." It is expected that the diesel engine plant would have a capacity to produce 200,000 to 300,000 engines a year.

GM has itself already begun to invest much more heavily in the UK and last year began production at its new £193m engine plant at Ellesmere Port, where it will have a capacity to produce 135,000 V6 engines a year. Ellesmere Port would also be the likely location for the diesel engine plant.

Despite GM's claims that UK grants were uncompetitive, Britain has attracted the lion's share of large-scale auto industry inward investment projects in Europe with Nissan, Toyota and Honda all choosing the UK for their first European car plants.

Their main argument is simple: identical to that employed to see off any tampering with The Clause. It is that to tackle the question would provoke a cataclysmic internal row. Mr John Smith himself has echoed that reasoning. Undoubtedly, there is no possibility whatever that the party's name will be changed in the foreseeable future. But that

Vauxhall results, Page 22

A rose by any other name might wilt

Changing names is taboo for the Labour Party but not for Rocard, writes Ivo Dawney

EVEN before the French Socialist party's drubbing at the polls last Sunday, Mr Michel Rocard had raised as part of his "Big Bang" of wholesale reform the question of his party's name.

While not coming out unequivocally for change, the man-who-would-be-president insisted that it was essential that a change in the party's title was not considered a taboo subject for debate.

The French PS - fruit of a three-party coalition in 1971 - has only 22 years of emotional baggage with which to grapple. In the UK in 1969, after four election defeats, the Labour party's grandees momentarily pondered the question of the party's historic name before roundly rejecting a change.

Thirty-four years - and another four consecutive rejection slips from the electorate - later, the issue is still not fit for discussion. Indeed, even though the other great sacred cow - the Labour party constitution's Clause Four commitment to state ownership - has been prodded, Labour leaders are adamant that the name is not in play.

Their main argument is simple: identical to that employed to see off any tampering with The Clause. It is that to tackle the question would provoke a cataclysmic internal row. Mr John Smith himself has echoed that reasoning. Undoubtedly, there is no possibility whatever that the party's name will be changed in the foreseeable future. But that

So what does the word, Labour, evoke? According to Mr Roy Hattersley, the party's former deputy leader, it conjures "shipbuilding, means tests and national plans". He might have added class conflict, unions, flat caps and the unstated pre-supposition that its enemy is capital - Marxist associations quite as vigorous as those of Clause Four and equally user-unfriendly to modern Britain.



The sound of change: John Smith wants to reform the Labour Party but keep its name. Michel Rocard wants realignment in France but could go a step further and invent a new 'brand name'

Mr Hattersley makes a telling point, however, when he adds that Labour has its positive associations too, from the National Health Service, created after the Labour victory of 1945, to the whole process of decolonisation. "Political parties," he concluded, "like infantry regiments, need battle honours to lift their morale."

In a more dismissive rejection of the case, the Fabian Society, the democratic socialist organisation, in its draft Labour constitution also invokes the warning that "to change the name would be a dramatic symbol that the party had disowned its history and had become a separate and new entity". But is that really what it would symbolise? It could equally be argued that the change could be promoted not



The sound of change: John Smith wants to reform the Labour Party but keep its name. Michel Rocard wants realignment in France but could go a step further and invent a new 'brand name'

as a rejection of the past, but a "dramatic symbol" of its radicalism and readiness to evolve with the times. Like the party's new symbol of the red rose it could reflect the past and still be new. What might be disowned is not Labour's proud history, but the negative associations evoked by the outdated class-based politics that the current leadership is so anxious to shed.

It does not require a training in marketing to realise that any change to the party's brand image would have to be weighed up in a balance of advantages against disadvantages.

One of the latter would be the propaganda weapon that would be handed to the Conservatives (another poor brand name for a party that currently promises things are about to change for the better). On the other hand, a majority even among the so-called modernisers believe that the problem is not Labour's packaging, but what is in the box. "Turning the brand round, not changing the name is what we should be about," one senior opposition politician observed yesterday.

The most compelling reason for not changing Labour's name, the tattered red flag of its glorious past, is that without a constant reminder of where the party has marched from, its search for somewhere to go in the future would prove even more difficult.

Labour may not know what it stands for now, but at least it knows what it was.

Post Office chief seeks 'freedom' of privatisation

By Roland Rudd

MR BILL COCKBURN, chief executive of the Post Office, yesterday warned of greater costs and higher letter prices unless it gains greater commercial freedom.

His warning came as he announced that the current price freeze on first and second class letters, at 24p and 18p respectively, would be extended to the end of August - two years after the last increase.

For the first time since becoming chief executive in October, Mr Cockburn indicated that only privatisation would give the Post Office the freedom it needs to guarantee low costs and low prices.

Privatisation was put back on the political agenda last year when the Department of Trade and Industry announced a review of the Post Office's future. It is expected to announce its conclusions in the summer.

Although Mr Cockburn said the future ownership was a matter for the government, he said that attempts to give the Post Office more commercial freedom within the public sector were bound to fail. He said he feared such a move might turn out to be a "fudge" or an "optical illusion" which would not work.

Speaking at a conference on privatisation he said: "If the Post Office is to maintain its winning edge as the leading postal operator in the world, it needs to cut loose from the stifling cash-book culture of the public sector. Privatisation would give us the freedom we need."

If the government did decide to privatise the Post Office, Mr Cockburn said it should keep it as a single entity. "Chopping up the Post Office into different bits would make no sense at all."

Mr Cockburn also criticised the existing financial targets imposed on the Post Office. His attack was echoed by Mr Tom Corrigan, chairman of the Post Office Users' National Council, the national UK industry watchdog.

Poor skills identified by report

By Lisa Wood

BRITISH employers are competing for recruits from a much smaller pool of well-educated 16-year-olds than companies in most main competitor countries, the National Institute of Economic Research said yesterday.

In a report, the institute says low attainment in the UK produces low employer expectations of skill standards.

It quotes a recruitment officer who, asked what qualifications he wanted machine operators to have, said: "We like them to be able to read and write."

The report's conclusions include:

- The proportion of British 16-year olds attaining a standard equivalent to that in other industrialised countries in science, the native language and mathematics, was only half that of France, Germany and Japan.

- The proportion of British 16-19 year olds in full-time education and training was lower than in competitor countries.

- Fewer British young people aged 18 plus gained school or vocational qualifications than in France or Germany.

- Any substantial increase in the quality and quantity of youth training in the UK would impose considerable additional costs on employers.

The report attributes differences between countries to a range of factors, some related to internal features of the system such as curriculum design, and others related to the social context, including parental expectations.

Regulator costs match US, France

By Richard Waters

THE direct costs of financial regulation in the UK are broadly in line with costs in the US and France, according to a report from Professors Julian Franks and Stephen Schaefer of the London Business School. However, regulators in the UK have expanded into areas which should have nothing to do with regulation, the authors conclude.

The report is to be published on 2 April as part of the City Research Project, set up to

examine the competitiveness of the UK as a base for financial services business.

Regulation should be focused on fraud, misappropriation and malpractice, they say, rather than protecting investors when an investment firm is wound up. A far-reaching review of investment regulation is currently being undertaken by Mr Andrew Large, chairman of the Securities and Investments Board.

On international comparisons the authors say there are roughly six regulators for

every 1,000 people employed in the securities industry in the UK, compared with nearly 12 in the US. Regulatory costs total 0.53 per cent of the industry's total costs, excluding interest expenses, compared with 1.34 per cent in the US.

Investment management, though, is more expensive to regulate in the UK: costs amount to 0.43 of a basis point (hundredth of a percentage point) of funds under management, compared with 0.16 bp in the US and 0.11 bp in France. Also, there are 6.8 regulators

for every 1,000 employees, compared with 1.7 in the US and 1.3 in France.

For life assurance business, the UK regulatory burden falls between the US and French levels, amounting to 1.32 basis points of premiums earned by the industry, compared with 12.44 bp in the US and 2.51 bp in France.

The authors warn that the EC is constructing a new layer of detailed regulation, and that practitioners should be given a greater say in regulatory developments in Brussels.



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مركز الأعمال

Docking stations for notebook computers allow far greater mobility, writes Della Bradshaw

Laptops pull into port



By last summer, notebook machines were available with the latest 486 central processors, full-colour monitors and massive storage. Toshiba machines, for example, have an internal hard disc which is 2.5 inches wide but can store 300 megabytes of data - enough to store 400 words or their equivalent.

This, says Lurch, means users can get exactly the same facilities on the notebook that they can on a desktop machine - such as full-colour graphics and Windows software.

When the independent notebook is opened on a train, building site or at home, the screen the user sees is identical to the one on the PC in the office. Network communications apart, the PC can do everything the larger machines can do.

Deborah Gallo, product marketing manager for Compaq, says these breakthroughs in screen and processor technology promoted the credibility of notebooks as primary machines.

The result, says Lurch, is that

between 30 and 40 per cent of the more sophisticated notebooks sold by Toshiba today are sold with a "desk station" - Toshiba's name for the docking station.

IBM reports similar buoyant sales. The company is now selling docking stations with 50 per cent of

its ThinkPad notebooks. With the most powerful model, which incorporates a colour screen, the percentage is even higher.

Although Monger-Godfrey acknowledges that "price is paramount", he believes there are other benefits from using a notebook machine with a docking station. If a manager's notebook is connected to the company network until the

moment he or she takes it home, the machine will inevitably hold the latest information from the corporate database - not data that was downloaded on to a disc that morning, yesterday or even a week ago.

"If you're working on out-of-date material it can be quite serious," says Monger-Godfrey. "Then there are the naggy details of transferring data from a standard desktop to notebook. Notebooks often take different size discs from the office machine, or one uses double density discs, the other single density - the sort of problem designed to irritate profoundly non-technical staff. Losing discs between home and the office can be commonplace in many organisations."

One reason why Monger-Godfrey has been so willing to purchase docking stations is that they have fitted in easily with the company's IT strategy. "They have allowed us to move into the portable arena without compromising our three-tier strategy for IT or compromising

our security."

This three-tier strategy involves a PC on every desktop - some 500 in all - linked to a departmental machine running under the Unix operating system. This, in turn, is networked to a corporate ICL 3900 mainframe computer.

To dispel worries about data security, inevitable with such a high number of PCs, Monger-Godfrey has built in a series of access control mechanisms at each level of computing. The same security extends to the notebooks. If one is stolen the culprit would have to crack the password before getting access to the information.

Both Rogers and Monger-Godfrey acknowledge there will always be certain members of staff who will never need to use a notebook - data entry staff, accounts clerks and so on. Of the 500 staff at P&O Properties, Monger-Godfrey believes 100 are out on the road much of the time - surveyors, for example - and so are obvious users of notebook machines. A further 100 managers, who spend some time out of the office, could also take advantage of the combined units.

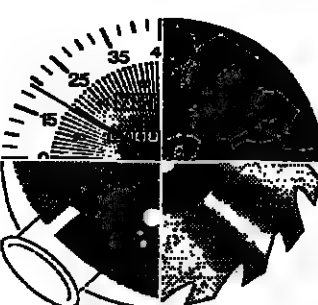
Elsewhere, Rogers believes a growing number of large corporations are beginning to show an interest in docking stations simply for the flexibility they deliver. He cites the example of one company in a high-rise building where the management is keen for the number of internal meetings to grow. The only current answer is for staff to print out the information on yards of paper before trudging up and down stairs to attend the meetings.

Some of the more traditional notebook users are also hooking up to docking stations. Paul Jordan, surveying director with the Willmott Dixon social housing refurbishment division, has had a laptop computer for several years. Two years ago he and five colleagues had a single docking station installed in the office so that they could exploit a standard colour screen and high-quality printer to make reports writing easier. All that had to be done was to configure the notebook and portable to work together.

This gave the machine what Jane Burley, product marketing manager at Apple in the UK, refers to as a "dual personality". "As a notebook, it knows, say, that it only has a small screen. But once it is in the docking station it automatically locks on to servers, for example - something it knows not to do as a notebook."

Monger-Godfrey is now such a convert that he says he would no longer consider buying portable machines unless they had docking stations. "If this had been around two years ago we'd have bought a lot more. Most of our people would have had them," he concludes.

Worth Watching · Della Bradshaw



Revamping liquid crystal displays

Liquid crystal displays, seen today in notebook computers, are tipped as the successor to the cathode ray tube in television sets. But to achieve acceptance researchers have still to make LCDs less expensive, more compact and more reliable. GEC's Hirst Research Centre, in London, has demonstrated a technique for etching the drive circuitry on the same piece of glass as the screen, which could contribute to this. As well as reducing the size, the technique does away with the need for an expensive quartz substrate and other components. The method also increases reliability because it reduces the number of connections needed to join each pixel, or picture element, to a transistor. Hirst Research Centre, UK, 081 906 9000.

Better colours in the office

Printers which produce colour images with the quality of photographs have largely been the domain of publishing departments or specialist companies. Now Kodak has launched such a printer aimed at general office use which can be attached to a computer network. The ColorWave PS uses thermal dye sublimation, in which transparent dyes are layered on top of each other to give the high-quality image. The cost of printing a single sheet costs £1.68, while the printer costs £8,785. Kodak, UK, 0442 61123.

A new image for data storage

Holograms stored on photorefractive films of polymer could replace hard disc drives

as a means of storing computer data within the next decade.

So believe researchers at IBM's Almaden Research Centre in San Jose, California, where a polymer film has been developed on to which holograms can be recorded and then erased - a feat previously only possible using expensive crystalline material.

The holograms are made by exposing an image on to the film using intersecting laser beams: no subsequent development process is needed. Because the recording material is thicker than the light wavelength, several holograms can be stored in the same spot, so that several billion bits of information could be stored in the area of a 10 pence coin. IBM, US, 408 927 1283.

Smart ways with tissues

An entire generation of "smart" tissues and cloths are now on the way which could help with polishing the furniture, inhaling medicines or applying cosmetics. They incorporate micro-sponges, minuscule blobs of polymer, structured like a sponge and can hold lotion or oils.

The first smart wipe - a baby wipe - took Scott, makers of Andrex toilet tissue, eight years to develop. Each wipe contains 35m micro-sponges, inside which is a lotion containing dimethicone, a barrier to moisture which should help prevent nappy rash. The lotion is released when gentle pressure is applied to the wipe during use. Scott, UK, 0342 327191.

Some like it very very hot

Scientific experiments do not always produce the expected results. When plant geneticists at Clemson University in South Carolina decided to develop a pepper plant that was resistant to root knot, they also produced pepper that is at least twice as strong as tabasco.

But the Charleston Hot, seeds of which will go on sale in the US from Foundation Seeds Incorporated from the autumn, is not the hottest pepper developed, says Philip Dukes, one of the developers of the plant. That dubious claim to fame is held by a Japanese pepper. Foundation Seeds, US, 803 856 8250.

THE PROPERTY MARKET

Potential corridor of power

Vanessa Houlder on plans to redevelop land east of London

"The East Thames Corridor holds the prospect of a superb bridgehead into European markets. This... will revitalise large areas of east London and create major new development opportunities throughout the corridor."

It was the optimistic forecast made by Mr Michael Howard, UK environment secretary, when launching a task force on Wednesday to draw up a planning framework for the East Thames Corridor, a 30-mile corridor stretching both sides of the Thames from Docklands to Tilbury and Sheerness.

But behind the rhetoric, the government's proposals smacked of pragmatism, not vision. Far from imposing a new linear city or any other design blueprint on the corridor, the government did not put forward any concrete proposals. The talk was all of frameworks, strategy, flexibility, resolving conflicting aspirations, co-ordinated approaches and consultation.

The modest expectations the government raised this week were in sharp contrast with those of 18 months ago when it commissioned a report into the corridor. At the time, Professor Peter Hall, the government's adviser, described the corridor's commercial potential as "mindboggling".

Prof Hall described the scheme as potentially the biggest urban development scheme in British history. "The impact could be truly historic: London's westward drift,

which began four centuries ago, could be reversed," he said.

The reason for the dilution of these extravagant expectations were laid bare by a report by planning consultants Llewellyn Davies, which the government published on Wednesday.

The report acknowledged the opportunity presented by the area. "Today a large supply of development land and a newly-found locational advantage as the UK's gateway to Europe presents an opportunity for the East Thames Corridor to develop a new and very different role."

If the area were to enjoy high growth, there would be potential for 182,000 jobs and 128,000 houses by 2015, said the consultants' report. Under this projection there would be spectacular growth at Dartford based around a new international station, with high value, high density development also at the other main corridor sites.

But the report summed up the obstacles thus: "The East Thames Corridor is the place where London generates its power and dumps its rubbish. It has an environment to match."

It spelled out the psychological and environmental barriers to high-grade redevelopment of

the area. Despite many places of natural beauty and historic interest, the area is scarred by smokestacks, pylons, power stations, industrial structures, stacks of containers, scrapyards, hauliers' yards and lorry parks. Nearly a fifth of the land is contaminated.

"The enduring image is of an area whose environment has been ravaged by years of industrial use," said the consultants.

If the full potential of the East Thames Corridor were to be realised, it would have to break out of this self-perpetuating cycle of environmental decline. The corridor would have to adopt the same stance as the rest of London in burying power lines, landscaping roads and generally tidying up industrial sites.

"It is expensive but it is considered an appropriate price to pay for an acceptable quality of environment," said the consultants.

But the costs of upgrading the corridor's environment sufficiently to attract high levels of investment and growth are large. As well as decontamination work costing £200m-£250m, about £120m-£150m would need to be spent on environmental works and £40m-£120m for rerouting power lines over 25

years. Another £970m for roads and £300m on rail would be called for, in addition to more than £4bn of road and rail improvements that are already earmarked for the region.

But large amounts of new investment are not on the cards, according to the consultants. "At this stage... it would be unrealistic to adopt a development strategy which is dependent on high volumes of additional private and public investment," it said, citing the existing glut of office and business space.

"The government's preferred approach... is to cater for a moderate level of growth in the corridor. The market is likely to focus on the area's strengths, in particular its potential for waterside property and housing and the provision of large business sites close to London," said the report.

Those cherishing the grand vision of a linear city along the Thames would be disappointed by the tentative nature of the proposals unveiled this week. However, planners and local authorities were welcoming. In particular, they applauded the consultation, co-ordination, the planning framework and the integration of transport with land use, which were so badly lacking in the redevelopment of the Docklands.

Yet without extra funds, good intentions are unlikely to be enough. The attention that has recently been focused on the East Thames Corridor illustrates the potential - and the enormity - of the task in realising it.

NO CLEAR trend emerged from the February results of the Investment Property Database (IPD) Monthly Index.

Total returns fell slightly from January to 0.1 per cent. Both capital and rental values continued to decline, falling by 0.6 per cent and 1.0 per cent respectively.

The year-on-year measurements showed negligible change in all three sectors. The 12-month total return figure for All Properties remained negative for the year to February.

Industrial property succumbed to declining rental values and fell into second place behind the retail sector, with returns of 0.3 per cent and 0.4 per cent respectively.

Office yields shifted outwards in February to 10.5 per cent; the total monthly return for the sector fell back to -0.3 per cent.

Despite a slight improvement in the rate of rental value growth for February, an outward shift in the equivalent yield had an adverse impact on capital growth, leading to a fall in the total return index of half a point.

However, in the longer term all three measures point to a modest improvement in the office sector, with total return reaching its highest year-on-year level since August last year at -5.8 per cent. Returns for the industrial sector remained positive, improving by 0.3 per cent for the month.

PROCEDURE OF EXTRAORDINARY ADMINISTRATION OF CAVIRIVEST S.p.A.

with its site in Bagnoli di Sopra (PD) Italy, Viale Dell'Industria N°1

According to the Italian Law 3.4.1979 Nr. 95:

Decree of 10.3.93 of the Ministry of Industry and Commerce. Governmental Administrator: Mr. Luigino Ruffini

PRELIMINARY PROCEEDINGS TO THE SALE OF CAVIRIVEST PLANT

The Governmental Administrator informs all the parties concerned that Cavirivest S.p.A. owns an industrial plant owned by three production units. Two production units are located near Padova (Italy), in Bagnoli di Sopra, and the third one near Perugia (Italy), in Umbertide. The products manufactured by the above units are the following:

1) billets and rods from copper cathodes and scrap by a series of furnaces, continuous-castings and an extrusion press for an annual capacity of 50000 tons (first unit located in Bagnoli);

2) aluminium and copper stranded conductors for power lines and bare, insulated and enamelled aluminium and copper wires for an annual capacity of 35000 tons (second factory located in Bagnoli);

3) bare and enamelled copper thin wires for an annual capacity of 4500 tons (unit located in Umbertide - Perugia). Cavirivest S.p.A. intends to transfer the above production units equipped with their machinery, both as a whole and separately. The choice of the buyer will mainly depend not only on the buyer's economic, technical and industrial capacity as to the management of the factories, but also on his commitment to keep the present employment levels.

The technical literature describing the consistency and any other characteristic of the three production units is deposited at the office of the Governmental Commissary in Bergamo (Italy) Via Mattei Domini n°8, where the parties concerned could look over the literature.

The requests of eventual visits to the production units have to be forwarded to the Governmental Commissary.

All those who are interested in the purchase of all or one single product unit(s), could send their offer and/or their declarations of interest to the a.m. office of the Governmental Administrator, within 80 days from the date of issue of the present notice.

The offers have to be analytical and should indicate with evidence the product unit or units of interest, as well as the price offered and the conditions of payment of the indicated amount, moreover the offers have to be completed by any other element in order to permit an evaluation as a whole.

The Extraordinary Administration will not be obliged to accept any presented proposal, this notice having an effect ex Art.1336 c.c., both for lack of sufficient ground as provided in a.m. norms, as for lack of relative pledge from the Governmental Administrator and the Organs of procedure.

CAVIRIVEST S.p.A. IN EXTRAORDINARY ADMINISTRATION The Governmental Administrator Mr. Luigino Ruffini

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(Ref: KJO/LSG)

Theatre Fires in the Mirror

In August 1991 there were riots in Crown Heights, Brooklyn. They were not the conventional race riots between black and white, or a black rebellion against the police and white authority, but between local blacks and the Hasidim, a group of Jewish mystics which originated in Poland in the 18th century.

Not much was heard of the affair outside New York, and certainly not outside America, because the peak of the riots coincided with the camp in Moscow against Mikhail Gorbachev. But in Brooklyn the incident lingers on.

Anna Deavere Smith has written a play about it. Or rather, and this is the problem, it is not a play at all. *Fires in the Mirror* is a documentary on stage. Others will reach their own conclusion. I enjoyed it because the material is riveting, but I wonder if the stage is the right place for it.

Fires is part of a series called *On the Road: A Search for American Character*. It is a one woman show. Ms Deavere Smith, an actress and writer, did all the research herself. She interviewed those involved in the riots, whether participants, observers or guardians of the peace. And she plays all the parts, black, Jewish, male, female and anyone who fits in, with the occasional use of film in the background.

The story that emerges is complex. The riots began with an accident. A seven-year-old black boy was killed by a Hasidic man whose car jumped the curb. Nearby blacks retaliated and attacked a Hasidic scholar, stabbing him to death. The rioting followed.

The accidental nature of the affair is never far from Mrs Deavere Smith's account. On the other hand, the tinder was plainly there in advance. The Hasidim, who were up only about 10 per cent in the neighbourhood, but seem to have an advantaged position compared to the blacks.

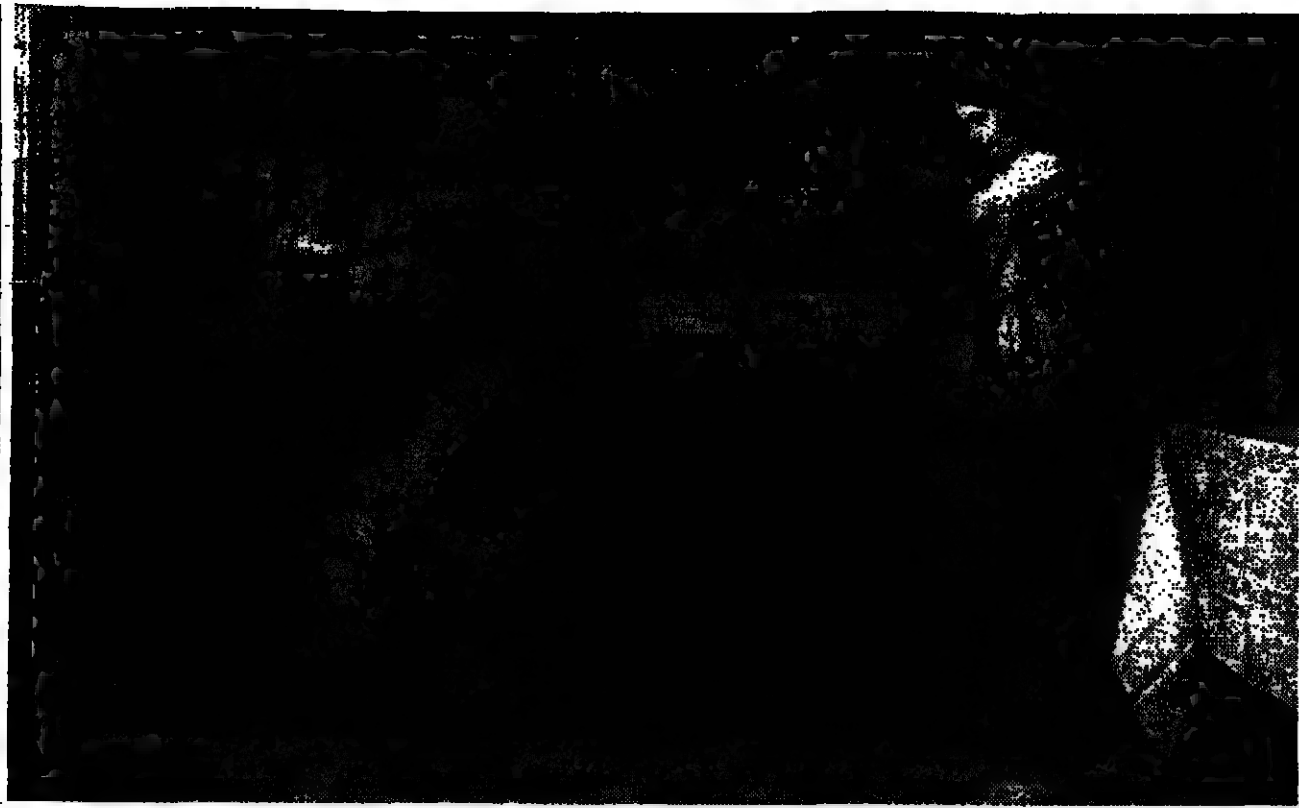
On the Sabbath and other holy days, the New York City authorities close a number of streets to traffic, much to the inconvenience of the blacks. Other resentments are not far from the surface.

Ms Deavere Smith's purpose is not to blame, but to explore. Robert Sherman, of the New York City Commission on Human Rights, is quoted as saying that KKKism have 70 different words for snow, then adds: "We probably have 70 different kinds of bias, prejudice, racism and discrimination."

The message of *Fires* seems optimistic: try and understand. Ms Deavere Smith performs more than 20 roles with great restraint. Some might say that she underacts, but I think that is part of her purpose: not to be over-dramatic. I should like to see the show on television. The author is now working on what happened in the Los Angeles riots last year.

Malcolm Rutherford

Royal Court Theatre
(071) 730 1745



Art of the Establishment: 'Beatrice Knighting Esmond', an 1857 oil on canvas by Augustus Leopold Egg
The 19th-century folly of Robert Vernon is timeless, warns Susan Moore

A collector stuck in his age

Don't make the mistake of presuming that an exhibition of a collection of British art presented to the nation a century and a half ago has no relevance to the making and collecting of the art of today.

Robert Vernon's gift of some 157 paintings and eight sculptures to the fledgling National Gallery in 1847 was intended to prompt the foundation of a Gallery of British Art (the national British collection opened at the Tate 50 years later). To that patriotic end, Vernon purposely sought works by the founding fathers of the British School and by his most acclaimed contemporaries. His collection, a selection of which is currently on show at the Tate Gallery, offers a number of salutary lessons. It begs the question of how best to define and represent British art as the debate continues on the future of the Tate's modern and British holdings.

In his acquisition of works of art, Robert Vernon exhibited all the flair of a modern museum committee set on pleasing everyone. The collection of this "Maecenas of Modern Art", as Vernon was dubbed at the time, shows evidence of personal passion or real discernment (certainly Pickersell's portrait presents him as a dour and bloodless man, and the most unlikely looking horse dealer). Instead it smacks of the shopping list. Here are the worthies from the accepted pantheon of British art - Gainsborough, Reynolds, Benjamin West and Richard Wilson - plus the most fashionable painters of the day.

The inventory reads as a grim warning of the extent to which each age inevitably falls to be its own best judge. There are four glorious works by J. M. W. Turner, an artist who was never knighted, alongside

nine landscapes by Sir Augustus Wall Callcott. There are 12 paintings by the eminent figure painter and colourist William Etty, eight by Sir Edwin Landseer, five by Sir David Wilkie. Messrs Constable and Bonington are each represented by one picture while Samuel Palmer fails to find a place.

Even a collection catholic enough to embrace Sir Charles Lock Eastlake's 'learned' 'Christ Lamenting over Jerusalem', Henry Perrottet Briggs' 'The First Interview between the Spaniards and the Peruvians', Maclellan's 'The Play Scene in Hamlet', one Theodore Lane's 'The Gouty Angler' and Turner's ethereal 'The Dogue', cannot claim to be encyclopaedic. There may be historical and allegorical pictures, genre scenes, landscapes and topographies, even lowly still-lives, but Vernon displays the prejudice of his age in not deeming portraiture as the stuff of Fine Art. Such prejudice pales beside the intellectual history of our own art establishment for whom Minimalism seems to reign supreme and no other means of expression is regarded seriously.

A study of the condition of Vernon's collection should be as sobering for contemporary artists as for curators of 20th-century collections. There is a world of difference between, say, the near-mosaic finish and pristine lines of William Mulready, a consummate technician, and the blackened surfaces of the five history paintings by William Hilton the Younger that are far too scarred and ravaged to exhibit. Some 30 years after the execution of the latter's 'Edith and the Monks Searching for the Body of Harold', once regarded as one of the gems of the Vernon collection, the artist Richard Redgrave and

his brother described it as a "seamed wreck of his genius". The staff at the National Gallery were obliged to turn the picture from time to time so "that the eyes and limbs may float back again from whence they had slipped".

The 18th and 19th century was a great age of technical experimentation and of secret systems and recipes allegedly passed down from the great Venetian colourists. Those, like Hilton, seduced by the prospect of mellow, mellow colour and perfectly translucent glazes ignored the warnings of the chemists and continued to use volatile and destructive materials such as bitumen and megalp. Museums are already spending vast sums conserving ill-made art less than a decade or two old. What kind of shelf-life can we expect from today's favoured media of mud and blood?

It is pure arrogance to refuse to learn from history and presume that the judgments of the 20th century will remain immutable. The reputations of the likes of Hilton and Eastlake were no more over-inflated than those of today's chic avant-garde. The latter have jumped on the Establishment bandwagon with as much calculation as any 19th-century French academic painter.

We may shudder at the sentiment of Landseer's 'The Cavalier's Pets', and smirk at Etty's preposterous and titillating allegory of life, 'Youth on the Prow, and Pleasure at the Helm', but these follies are likely to be as nothing to the mass of the work that is now entering the Tate's modern collection in large quantity.

The Vernon Gift, sponsored by Sun Life Assurance, continues at the Tate Gallery, London, until October 31.

Dance/Clement Crisp

Yolande Snaith

during the remaining 30 minutes.

Miss Snaith proposes dance as a riddle, a game whose laws are arbitrary, ruled by mad time-keepers. The proceedings echo something of Alice's chess-board experiences. The dance area is chequered, the white squares piled with torn-up paper. Six "pieces" (three men, three women) are directed by the two umpires, who are also drawn into the play. Routines, frantic contests, extended repetitions of movement - phrases, ensue. Wooden poles, blindfolds, red cloths, all feature in illogical

logical procedures. Physical meanings - and relationships - are meaningless.

It is clever and, as I have suggested, fascinating for half its length. My dissatisfaction is concerned with Miss Snaith's reliance upon the new European dance style (as explored by such creators as Wim van der Key and Anna Teresa de Keersmaeker) of falls, leaps and degenerate into slides across the floor, and bone-jolting crashes to the ground. The "games" in the text - passing poles from one to the other, elaborate sign sequences that are strictly controlled in

rhythm; elements of contact improvisation - are hypocritically intriguing, as routines achieve a ritualistic force. It may be that Miss Snaith has restricted her movement choices in order to stress the absurdist relevance of her piece as slowly-shifting minimalism. She is, I think, too able to rely upon such constraints.

The piece is a teaser. But it fascinates the eye, and it is admirably done by Miss Snaith, Lauren Porter, Jordi Cortes Molina and their five colleagues. Design is by Robert Innes-Tophkins; music by David Coulter; and there is excellent lighting by Mark Parry.

'Diction' was in part made possible by a Barclays' New Stages Award

Opera/Max Loppert

Pelléas et Mélisande

Pierre Boulez, reflecting on *Pelléas et Mélisande* before conducting the opera for the first time (at Covent Garden in 1969), compared Debussy's nature, as composer, to a cat's, and discerned in the opera a "swift and deadly sheathing and unsheathing of claws". A picture-book new production of the opera has arrived at the same theatre from Milan (where it was first shown in 1986) via a 1988 stopover in Vienna; a sense of claws (in Boulezian terms) in swift, deadly action is exactly what it seems to lack.

No blood is drawn, no real threat of menace or pain offered; the spectator is not carried upon an ineluctable welter of dramatic movement toward tragedy. By its lack of fire, and challenge, the new production is immediately cordoned off from those recent *Pelléas* feats of re-discovery - in Britain alone, by Elder and Pountney at the Coliseum, Boulez and Stein in Cardiff, and Peter Brook in Glasgow - which now form an essential part of serious opera performance and experience everywhere.

High-quality ingredients are on offer here. The Milan and Vienna conductors, Claudio Abbado, returns to Covent Garden after a 10-year absence, along with three members of his original cast - François Le Roux and Frederica von Stade in the title roles, Patrizia Pace as Yniold, Antoine Vitez, the producer, died in 1990; his staging, in its Yvonne Karkos design, has been placed in the care of Lorenzo Mariani.

In spite of first-night vagaries - chinks of light peeping through castle walls, rumpled back-cloths, come-and-go lighting, plentiful set-change noise - the show looks good, in an airy pre-Raphaelite way. Its Burne-Jones shapes and proportions have been devised to reflect important thematic concerns in the opera. Above all, the extinction of light in the lives of its youthful title-characters: light plays behind a semi-transparent black swing-curtain during the interludes, and its diminution by various forms of filtering is an integral part of the unfolding of every scene.

It is a setting pregnant with dramatic possibilities for the conductor to realise. Abbado concentrates on making the score sound limpid and lustuous, the scoring substantial and its timbre lovely: buoyant rhythms pick up swirling breezes, delicately fashioned phrasing catches fountain rip-



Frederica von Stade and François Le Roux

It is a setting pregnant with dramatic possibilities for the conductor to realise. Abbado concentrates on making the score sound limpid and lustuous, the scoring substantial and its timbre lovely: buoyant rhythms pick up swirling breezes, delicately fashioned phrasing catches fountain rip-

ples, the scent of evening air. He is a conductor of extraordinary skill and sophistication, who achieves his fairy-tale account of *Pelléas* in a way that leaves no musical element undisciplined or out of focus. What he avoids is any acknowledgement of the hard muscle and bare bone of the music, its nervous system, its dramatic articulation by means of infinitely subtle combinations of timbre.

Mr Le Roux and Miss von Stade have become rather mature occupants of the innocent-white costumes they are asked to wear. Both are artists of wonderful sensitivity, alert to the finest gradations of tone and verbal nuance; neither, on this occasion, produced the wholly absorbed, completely transported account of their roles of which one knows them capable. (Miss von Stade, it should be said, was not wholly recovered from the illness that affected her participation in the final dress rehearsal; it would have been fides both to her and to the audience to make this information public before curtain rise.) This lack of sharp-profiled characterisation, reflected alike in the conducting and the title parts, is continued in Victor Brann's Golaud, intelligently conceived and executed but projected with insufficient vocal thrust. Robert Lloyd, celebrating two decades of leading roles at Covent Garden, returns as Arkel. It is an even greater pleasure to welcome back the long-absent Yvonne Karkos, whose Genevieve cut across the spaces with a trenchancy of attack one would wish more widely imitated - Miss Pace's Yniold likewise, though in demure she seems more a fetching gamine than a carefully observed and enacted boy.

The sum of all this, on Wednesday, was *Pelléas* as International Opera - of, admittedly, a high-calibre kind. Since recent seasons at Covent Garden have taught one to expect more searching presentations of serious opera, a more inventive blending of international ingredients, it comes as a disappointment.

In repertory until April 5

Music/David Murray

San Franciscans abroad

On Wednesday the San Francisco Symphony played the Festival Hall, with a resounding report. The orchestra is a model of professionalism, high technical competence and single-minded unanimity, and in Herbert Blomstedt it has a most judicious music director. If you want reservations in the office, it is only because of the programme: as the main work they chose Bruckner's Fourth Symphony, the "Romantic", where something else might have been better for our side of the Atlantic.

They began with John Harrison's new Oboe Concerto, written very specifically for their first oboe William Bennett, and first heard last December in their home town. Harrison's musical idiom is "accessible" middle-of-the-road (he was a Boris Blacher pupil), which doesn't preclude individual ingenuities. The concerto proved quizzical and affable.

It had unmistakable times, plenty of lyrical and virtuosic exercise for Bennett (who delivered it with charm) and appealing jazz-effects. The composer has an ear for offset instrumental combinations: he rings changes on muted brass, and creates wistful effects with bassoons and an alto sax. Given the dearth of concerti for oboe it may be gratefully taken up by other performers.

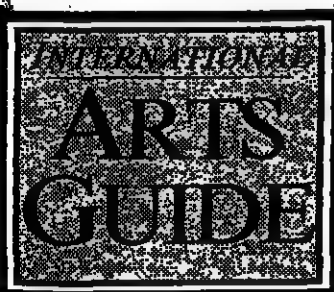
Bruckner Four is tougher stuff. The orchestra performed it with the utmost concentration, answering precisely to Blomstedt's every

request, with each section playing like a single musician. On the one hand, this conductor had a firm grasp on the proportions of the work, set it out in broad paragraphs, chose unimpeachable tempi and drew high-definition, carefully nuanced "solos" from his violas, high cellos and violins. The opening was lovely: a pianissimo thrill in the air, unburied eloquence in the first brass chords.

On the other hand - doubts set in with the second subject, which arrived without a trace of its natural Austrian lilt. For all his admirable tempi, Blomstedt's bar-to-bar beat was severely unbending. The big paragraphs needed more freedom to breathe and speak, and often seemed straitjacketed, even frog-marched, by the unbending rhythm.

Since brass entries in *forte* struck like muffled fists (more aggressive than expressive), clocking them in so metronomically evoked the parade-ground rather than the symphony. Their impact nearly always obliterated the other orchestral voices - though that might have resulted from unfamiliarity with the dry acoustic of the Festival Hall.

The net effect was too bald, too hard-edged and unrelated for expansive middle-period Bruckner. I think Bruckner's autumnal place in a precise middle-European tradition may be hopelessly remote from the Pacific coast of America.



This year's Maggio Musicale in Florence (April 27-June 27) includes four opera stagings and a Diaghilev ballet production. The opening production is *Jerusa*, staged by Liliana Cavani and conducted by Semyon Bychkov, with Katerina Ikonomu in the title role and Marilyn Ziegler as Katerina. The Teatro Comunale will also give performances of Nuria Espert's staging of *Carmen*, conducted by Zubin Mehta, with a cast headed by Denyce Graves, Luis Lindo and Justino Diaz (first night May 23). Teatro della Pergola will host performances of Puccini's *La Voce Humaine* with Renata Scotta (May 11), Die Zauberkolben (May 15) and the Diaghilev production, which includes Fokine choreographies of *Les Syphiles* and *Petrushka* (May 21).

There are concerts devoted to Janacek and Stockhausen, as well as visits by the Vienna

Philharmonic Orchestra with Mehta (May 1), the LSO with Solti (May 3) and the Orchestre de Paris with Bychkov (May 18). Bychkov and Mehta also conduct with the Maggio orchestra, and there are recitals by the Labèque, Andras Schiff, Krystian Zimerman and Yo Yo Ma (Tickets and information: tel 055-277 9236).

The 1993 Schwanen Festival (April 25-May 30), organised by South German Radio and based at the roccoco court theatre south of Mannheim, opens with Harry Kupfer's new German-language staging of *Glück Götter*, conducted by Richard Hickox. The other opera production is *L'incoronazione di Poppea*, conducted by René Jacobs and staged by Michael Hampe, with a cast led by Kathleen Kuhlmann (May 13). The concert programme includes Verdi's *Requiem* conducted by Gianluigi Gelmetti, and recitals by Roberto Scanduzzi and the Talich Quartet (Tickets and information: tel 06202-4933).

■ EXHIBITIONS GUIDE

ANTWERP Musée Royal des Beaux-Arts Jacob Jordaens: large-scale retrospective of the baroque painter born 400 years ago in Antwerp including 90 paintings, 70 drawings and a unique series of wall tapestries. Ends June 27. Closed Mon.

BALTIMORE Walters Art Gallery Sisley: 60 works from worldwide collections.

constituting the first major retrospective of the French Impressionist. Ends June 13. Closed Mon.

Museum of Art French Fashion Miniatures. Ends April 25. Also Chinese Children's Hats. Ends June 28. Closed Mon and Tues.

BASLE Kunstmuseum Hermitage in art from the 15th to 20th century: a study of the way European painters used the theme of isolation to enrich the art of landscape painting. Ends May 23. Daily.

DRESDEN Albertinum Gotthardt Kuehl (1850-1915): 75 paintings and 41 drawings by the German Impressionist. Ends June 9. Closed Thurs.

Kupferstich Kabinett A Century Ago: paintings and drawings by Munch, Toulouse-Lautrec and other late 19th century artists. Ends May 14. Closed Sat and Sun.

FRANKFURT Schirn Kunsthalle Frida Kahlo (1907-1954): retrospective of the Mexican Surrealist. Ends May 23. Daily.

Schilder Dan Favin: installations 1989-93 by the American artist. Ends August 22. Closed Mon.

THE HAGUE Mauritshuis Cornelius Troost and the Theatre: an exhibition tracing the 18th century Dutch painter's close ties to the theatrical world. Ends June 27. Closed Mon.

LONDON National Gallery Tradition and Revolution in French Art 1700-1880: a collection of 18th and 19th century paintings and drawings from Lille, including major works

by David, Delacroix, Courbet, Chardin and Sisley. Ends July 11. Daily.

Tate Gallery Georges Braque: 92 prints from private French collections. Ends June 27. Also Robert Ryman (1930-80): 80 canvases and other works by the American Minimalist. Ends April 25. Visualising Masculinities: the male body in art since the mid-19th century. Ends June 6. Daily.

Courtauld Institute Boudin at Trouville: 40 paintings by the father of French Impressionism, exploring his fascination with daily life at the seaside resort where he spent his final years in the late 19th century. Ends May 2. Daily.

Royal Academy of Arts Georges Rouault 1903-20. Ends June 6. The Great Age of British Watercolours 1750-1880. Ends April 11. Daily.

Accademia Italiana Religious Architecture in the 20th century: the work of 40 international architects testifies to the astonishing number of churches, mosques and synagogues built in the past two decades. Ends April 25. Daily.

Italian Cultural Institute Scala Divo: 70 black and white photographs from the archives of Milan's Teatro alla Scala. Ends April 23. Closed Sat and Sun (98 Belgrave Square).

Berlin The Stollers. Ends June 13. Daily.

LYON Musée des Beaux-Arts Ernst Meissonier: retrospective of the 19th century French painter of historical genre subjects. Ends June 27. Closed Mon and Tues.

NEW YORK Brooklyn Museum Marvet to Picasso: 35 rarely seen works on paper, created between 1870 and 1940, from the museum's own collection. Ends May 23. Closed Mon and Tues.

Guggenheim Museum Picasso and the Age of Iron: 100 sculptures 1925-50 by Picasso, Julio Gonzalez, Alexander Calder, David Smith and Alberto Giacometti. Ends May 16. The main museum is closed on Thurs, the SoHo site on Tues.

Museum of Modern Art Max Ernst: 180 works illustrating the transformation of his style towards Dada and early Surrealism 1912-27. Ends May 2. Also Drawings of Joseph Beuys. Ends May 4. Santiago Calatrava: models, drawings and sketchbooks by the innovative Spanish architect and engineer. Ends May 18. Closed Wed.

Metropolitan Museum of Art The Greek Miracle. Ends May 23. Also The Havemeyer Collection: 450 works ranging from French Impressionists and old masters to Asian art and Islamic pottery. Ends June 20. Closed Mon.

Whitney Museum of American Art 1993 Biennial. Ends June 13. Closed Mon.

Centre Georges Pompidou Matisse. Ends June 21. Closed Tues.

Grand Palais The Century of Titian. Ends June 14. Also Amnophis III. Ends May 31. Closed Tues, late opening Wed (ave du General Eisenhower).

Musée d'Orsay 1893: The Europe

of Painters. Ends May 23. Closed Mon, late opening Thurs (qual Anatole France).

FRANKFURT Waldensian Hiding School Bohumil Kubista (1884-1918): 160 paintings, pastels, drawings and prints tracing the development of one of the strongest personalities at the dawn of Czech modern art. Ends May 30. Closed Mon.

Kinsky Palace Jiri Kolar (1914): the Paris-based artist's first major show in his native country. Ends May 2. Closed Mon.

ROTTERDAM Museum Boymans-van Beuningen Kees Timmer (1903-78): retrospective of the Rotterdam painter who portrayed animals in a colourful and severely stylised vein. Ends May 23. Also Joost van Rooijen (1928): 60 watercolours. Ends May 2. Closed Mon.

STUTTGART Staatsgalerie Jeff Koons: retrospective of the 38-year old American artist's terrible of the international art scene. Ends April 18. Closed Mon.

Galerie der Stadt The Rudolf and Bertha Frank Collection: 100 Expressionist works, including paintings by Kirchner, Dix, Nolde and Kokoschka. Ends April 4. Closed Mon.

VIENNA Kunsthofmuseum Blodermeier, Painting between the Congress of Vienna and the 1848 Revolution: 140 major Austrian genre paintings, capturing 19th customs and traditions and describing life in the city and the country. Ends June 27. Daily.

Historisches Museum Ferdinand

Georg Waldmüller: 40 oil paintings by a leading exponent of Viennese Biedermeier style, marking the 200th anniversary of his birth. Ends May 30. Closed Mon.

Albertina Albrecht Dürer: three of the great woodcut series by the German Renaissance engraver and illustrator. Ends April 25. Daily.

Kunsthaus Andy Warhol. Ends May 31. Daily.

Kunsthistorisches Museum The Portuguese in India. Ends April 21. Closed Mon.

WASHINGTON National Gallery of Art William Harnett: 48 works by the 19th century American still-life painter. Ends June 13. Drawings from the O'Neil Collection: 58 old master and modern drawings from 16th to 20th centuries. Ends Aug 15. Daily.

National Museum of American Art Masterworks from American Art Forum Collections 1875-1935: 64 works by Childe Hassam, Mary Cassatt, John Singer Sargent, Edward Hopper and others, all from private collections. Ends July 5. Daily.

Hirshhorn Museum Alison Saar: 20 mixed media wall pieces and life-size figures inspired by contemporary African American culture and other themes. Ends June 27. Daily.

Renwick Gallery American Wicker: 80 pieces of woven furniture, embracing the extravagant arabesques from the late Victorian era and the rustic simplicity of the Arts and Crafts period. Ends Aug 1. Daily.



BOOK REVIEW

For more than 30 years, students of corporate strategy have sought to understand and categorise the essential conditions which determine business success. But in that time, what of practical value have they actually discovered?

Not much, according to John Kay. At worst, he argues, corporate strategy is akin to quack medicine. Highly susceptible to fad and fashion, it owes its continuing appeal more to the plausibility of practitioners and the desperate search by managers for solutions than to any evidence that it delivers beneficial results.

As professor of economics at London Business School and former head of its Centre for Business Strategy, Kay is well-qualified to play iconoclast. However, the main purpose of this book is not to demolish corporate strategy, but to legitimise it as a discipline by re-defining its role and equipping it with more precise analytical tools.

The obvious first question is how to judge success. Kay rejects yardsticks such as scale, market share or return on capital. He plumps instead for added value, the margin by which the value of a company's output exceeds the costs of the raw materials, capital and labour it employs.

On this measure, Glaxo, Benetton, Reuters, Petrofina, Kwik Save, LVMH and Guinness rank among the stars of European industry, with which Kay is primarily concerned. By contrast, Philips, the ailing Dutch electronics group, has had negative added value in recent years. In other words, it has been destroying wealth, a process which, in the absence of subsidy, cannot go on.

In analysing these companies' performance, Kay approaches to corporate strategy would seek to extract from their management methods and organisation general lessons which could be profitably applied by other businesses. But that, according to Kay, is where conventional practitioners have come badly unstuck.

Not only, he says, do their prescriptions often amount to arid checklists and platitudes, of negligible practical value. Their whole approach is based on a logical nonsense. For every company's competitive advantage is, by definition, unique to it and cannot be replicated or adapted by others. If it could be, it would soon

Architecture of corporate advantage

be nullified.

Failure to grasp this lesson has trapped many businesses in futile "wish-driven" strategies. In the case of Bull, the embattled French computer maker which has long struggled to become Europe's answer to IBM, the vision was unachievable. In the case of the Saatchis' ruinously expensive efforts to build a global marketing services company, it was not worth achieving.

Kay argues that, instead of being beguiled by the vision thing, the proper function of corporate strategy is to start with the question: "How can architecture: the links between a company and its employees, customers and suppliers. More far-reaching than corporate culture, architecture is the fountainhead of institutional knowledge and adaptability.

At the heart of strong architecture is a network of stable relationships, or implicit understandings between participants which govern their behaviour towards each other.

Foundations of Corporate Success is not without faults. Kay's claim to put strategy in a distinctly European perspective does not really stand up. Not only does he appear most at home when dealing with the British corporate scene, but the sheer diversity of national business practices in Europe militates against generalisations. Furthermore, some chapters, such as those devoted to cost accounting and acquisitions and mergers, have little new to add.

But these are minor criticisms of a powerfully argued book, which casts a fresh light on a range of practical business challenges. It should also engender a healthy scepticism towards the currently fashionable school of theory which holds that strategy is all about aspiring to realise towering management visions.

As Kay puts it: "If there is a single central fallacy in much modern strategic thinking, it is the notion that the act of will is the most important element in corporate achievement."

though their owners do not necessarily create added value. The fourth capability - and in Kay's view the most critical - is what he terms architecture: the links between a company and its employees, customers and suppliers. More far-reaching than corporate culture, architecture is the fountainhead of institutional knowledge and adaptability.

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extraordinary organisations by assembling extraordinary people... but by enabling very ordinary people to perform in extraordinary ways.

Conversely, many of the deficiencies of US and UK corporate practice identified by critics of "short-termism" stem from a business environment which prizes one-off transactional relationships and pursuit of individual gain above continuity and stability. One of its biggest weaknesses is that the appropriation of wealth can too easily take priority over its creation, as exemplified by the US buy-out boom of the late 1980s.

Other students of corporate performance have identified some of these connections before. But none has explored them as thoroughly as Kay, who succeeds in marrying an authoritative grasp of economic, legal and sociological theory with an impressively detailed knowledge of contemporary business practice.

A further strength of his approach is that it does not assume that outstanding corporate success is immutable - a common mistake of management books, notably in Search of Excellence. Waterman and Peters' best-seller of the early 1980s. Indeed, Kay's analysis of Benetton concludes that the company has exhausted much of the potential of its distinctive capabilities and is condemned to much slower growth in future.

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Guy de Jonquieres

Joe Rogaly

The lion sleeps tonight



That creaking sound in Downing Street is of a prime minister's equilibrium being restored. On Wednesday night the government won a procedural vote on the bill to ratify the Maastricht treaty. When? Yesterday it presented a white paper on coal that stands a chance of being accepted by the House of Commons. Crikey! These two happy portents follow a Budget whose public reception has pleased the chancellor of the exchequer, if not absolutely everyone else. Signs of relief all round.

There is no cause to get over-excited. Mr John Major may conclude that the Conservatives' prolonged winter of disasters is coming to an end, but that does not change the quality of his cabinet. Britain still has to live with the best that a less-than-sentimentalising administration is capable of delivering. That means we must endure a continuation of government in bits and bobs. Some bits may be beneficial. Many will do very little harm. Few are likely to be connected to one another. There is no theme in this government, and little in the way of consistency. As one of the prime minister's loyal backbenchers put it the other day: "The sixth form has taken over the school, and the smarter among them are beginning to get the hang of things."

Or as certain City lunchables have it: "We'll never have decent government until the Clarke is prime minister and Portillo is chancellor."

It is not many years since gossip put the name "Heseltine" where Clarke presently stands. Mr Michael Heseltine, who published the revised plan for coal yesterday, is one of a small number of

grown-up politicians around Mr Major. He is one of the few men of substance in a cabinet of phantoms. Until recently his politics always aroused some kind of passion: he was either strongly admired or deeply mistrusted. This now toothless lion of British politics celebrated his 60th birthday last Sunday. The festivities were marred by several hours he was obliged to spend on coal, the subject that since October has threatened to blight the evening of his career.

The party over, he slogged through a week in which he could hardly avoid looking and sounding harassed. He took to musing, as might be expected on such an anniversary, about his life's work. He has not done badly: built up a publishing empire; made a fortune; planted an arboretum; topped a prime minister; risen to become secretary for trade and industry. The latter is the cabinet post, top dog's apart, that he always says he holds in highest regard; what a pity he has chosen to call himself president of the Board of Trade. It would be piquant, he acknowledges, if he, the instrument of Lady Thatcher's downfall, were to be destroyed by the coal mess, itself a consequence of the mis-handling of energy policy by the then Mrs Thatcher's government.

Such a drama would properly be entitled The Lady's Revenge. It could yet reach our political theatre, although it is unlikely. The "president" will have had little difficulty in persuading his colleagues that he will resign on Monday if at the end of the debate on his white paper the house rejects it. As he is not slow to point out, he

is a man of honour. He has resigned once before. Against that, he retains sufficient political skill to know how to repackage an old pit-closure policy and scent it with flattery of his Conservative opponents.

He is still well able to turn on the enemy when fire is aimed at his person from all sides. For years a British sport has been to watch him get out of political traps by attacking the Labour party. That is what he did yesterday. It was hugely enjoyable. As insurance, he wrapped his presentation in a few hundred million used pound notes dunned from the taxpayers. A "few"? Precision was not on offer. The "president's" white paper should, however, achieve two objectives. It should ensure the survival of Mr Heseltine, at least for long enough for him to be able to say, as he ascends to the House of Lords, that he has had a good innings. To do that, it must turn out to be enough to bamboozle most of the small band of Tory backbench opponents of pit closures into the self-delusion that something lasting has been achieved.

The truth, however, is that the run-down of coal mining will continue, albeit at a slightly slower pace. The laws of economics are dictating the terms, and would have done so if there had been no botched Thatcherite energy policy, no Heseltine humiliation when the closures were announced last October, no select committee report, and no white paper yesterday. The mines employed 1.25m men in 1920, the peak year. At the time of nationalisation in 1947 this figure was down to 700,000, doubt-

less including some women. Last October it stood at 54,000. The 31 pit closures then announced would have taken it to 24,000 by now.

The employer, British Coal, is nearly half-way there. Some 8,000 miners have accepted redundancy since October. A further 5,800 near-term job losses were announced yesterday. Mr Heseltine's lengthy white paper, like the chancellor's budget, throws in everything his civil servants could think of, and a few extras besides. British Coal will be privatised. While awaiting that glorious day, it will offer pits it does not want to private buyers, within the constraints of the current law. The remainder will be "mothballed" or subsidised for a period while the market asserts itself. In short, that 24,000 figure may be delayed by a year or two, but it is coming in spite of everything.

If the trick works it will be an achievement of sorts. The government fell on its face last year because it allowed Mr Heseltine, who should have known better, to announce the instant closure of 31 pits. That was at a time when nobody had much respect for any minister following Britain's election from the exchange rate mechanism. At the same time, most people were deeply worried about unemployment for themselves or their families.

The worst outcome of the subsequent negotiations would have been a total panic and an open-ended commitment to subsidise an ever-increasing mountain of unsold coal. By playing the game long, and by talking down expectations in advance, the government has won itself a chance of buying its survival relatively cheaply while yet running down an industry that, on environmental grounds, should be written off by the turn of the century.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Talisman no successor to Taurus

From Mr G H Seel

Sir, Your review of the Taurus project ("Sudden death of a runaway bull", March 19) contained a clear warning for those hoping to build a long-term solution for the London equity market's settlement requirements on the basis of the Talisman system. A key quotation pointed out that Talisman was a 14-year-old system where much of the software is unique or obsolete and will not tolerate interference. However successful Talisman has been, it will be very difficult to extend its functions and its performance even to support a limited system providing facilities for the largest institutions. Any attempt to develop it to a level where it could support rolling settlement and delivery versus payment would almost certainly end in a similar disaster to the Taurus project.

Eventually, a modern system will have to be installed, whether it is written as bespoke software or developed from a system in use elsewhere. To be successful, the project must be strongly controlled with a clear and consistent goal towards which the business analysts and technicians can aim.

Further, the best technical expertise must be obtained, as input from other areas with greater experience of large, high-performance databases (for example, the airline industry) must be sought. It would seem likely that only the Bank of England would have the authority to overcome vested interests within the City and bring such a project to a successful conclusion. Past history in terms of the gilts and money market settlement systems provides hope that the Bank can and will exert such authority.

G H Seel
Financial Object Resources,
54 Berrylands Road,
Sutton, Surrey KT5 8PD

Subsidiarity the prime reason for voluntary ecology audits

From P R van der Mensbrugghe

Sir, With reference to your article, "Voluntary ecological audit scheme approved by EC" (March 24), it is subsidiarity which is the primary reason behind the European Community having agreed on voluntary ecological audits, rather than mandatory ones.

Already present within the Treaty of Rome via Article 130r (4) (added to the treaty by Article 25 of the Single Euro-

pean Act and a rare application of subsidiarity in a legally binding instrument), the principle of subsidiarity implies a withdrawal of authority. When the Commission first drafted its 1990 proposals calling for mandatory eco-audits, it was under the impetus of the then environment commissioner, Mr Carlo Ripa di Meana, chaired at the time by Jacques Delors for failing to respect subsidiarity. The Commission's president may thus be considered

responsible for the agreement on voluntary eco-audits.

As obscure as it may seem in practical terms, Mr John Major and Mr Douglas Hurd rightly understand and support the principle of subsidiarity. Indeed, British ratification of the Maastricht treaty, built on its letter and spirit, serves the interests of Britain. F R van der Mensbrugghe, researcher at the law faculty, University of Namur, Belgium

Greater transparency likely in French privatisation programme

From Mr Alfred Latham-Koenig

Sir, I would like to offer a few comments on William Dawkins' excellent article on French privatisation ("Assault on the state frontiers", March 16).

The commission on privatisation - which he doesn't mention - will play a far more important role than in 1985 and operate with greater transparency and full independence. It will not only fix minimum prices for companies to be privatised but also select the "topaz dars" so that the government cannot be accused, as in 1986, of unduly favouring its supporters.

The privatisation programme will most probably be in two stages: in the first two years ending with the presidential

elections of 1995 the most likely candidates are Rhone-Poulenc, Elf-Aquitaine, AGF (Assurances Generales de France), Renault, in that order, and it is doubtful whether the first privatisation could be effected before October 1993.

In the second, post-1995 stage, depending on the result of the presidential elections, the success of the first tranche and the buoyancy of the stock market, it is probable that the government will gradually open up the capital of some public monopolies such as France Telecom or EDF to private capital while maintaining a controlling interest. Alfred Latham-Koenig, special adviser, Ernst & Young, 1 Lambeth Palace Road, London SE1 7EU

Demonstrating the value of tight controls

From Mr Richard Lassen

Sir, The article by Lucy Kellaway, "Tighter rein in the treasury" (March 22) demonstrates the value of controls provided that they are applied rigorously. Outside the banking sector, the one group of businesses which has worked harder at improving controls, particularly where new instruments are concerned, is the building societies.

Perhaps there is something to be said for regulation after all?

Richard Lassen, divisional director (treasury), National Building Society, Kings Park Road, Moulton Park, Northampton NN3 1NL

No ignoring the actuarial facts of age

From Mr Alan Smallbone

Sir, Your correspondents, M H Upson and Mark Scheinbaum (Letters, March 24) are missing the point. A 30-year-old highly skilled applicant is most unlikely to be significantly less suitable than an equally experienced one of 49, for any job. However, if the

employer operates a "final" pay pension scheme - and most substantial companies in the UK do - the older individual will be far more expensive in prospective pensions liability for, say, 15 years' service to come. No amount of legislation concerning age limits in advertisements will alter the actuar-

ial facts, and any system which inevitably imposes costs on employers that climb with age and time, irrespective of workers' productivity, is a sure catalyst for the destruction of older people's careers. Alan Smallbone, 30 Temple Fortune Lane, London NW11 7UD

Real returns required on railway projects a bar to investment

From Mr Alan Gregory

Sir, In his letter (March 11), David Howell comments on the "imperative need to raise levels of investment in the infrastructure of the country", and notes the need to take a long-term view of such investment. The government's approach to the problem of railway capital projects is to promote legislation which is highly unlikely to stimulate new investment, while requiring all new publicly financed projects to earn 8 per cent in real terms.

One can plausibly argue that this rate of return is far too

high, bearing in mind the current costs of capital implied by the level of the stock market and the risks of rail investment. The dividend yield on the FT-All Share Index is just above 4 per cent; if one assumes a real long-term dividend growth rate of 2.5 per cent per annum and applies the standard dividend growth model, the result is that the implicit future real return on the market is about 6.7 per cent. Given a real yield on long index-linked gilts of approximately 3.5 per cent, the current risk premium on equities is about 3.2 per cent.

In the sense of economic risk (the type measured by beta), rail investment seems likely to be of less than average risk, possibly compatible with that of other UK utilities. These have betas which average between 0.7 and 0.8 per cent, suggesting a risk premium of 2.2 to 2.5 per cent. However, these betas reflect equity costs of capital, and private sector utilities benefit from the tax advantage of debt finance. Depending on the gearing assumptions one wishes to make, it seems reasonable to assume that a fairer required return on new rail investment

is around the order of 4.5 per cent. Furthermore, any social benefits of railway investment should be included in the investment analysis.

The current policy on rail investment could have far-reaching consequences for future economic development and the environment. Fortunately, the remedy is a simple amendment of the investment appraisal rules. The budget offered the chancellor the ideal opportunity to make such an amendment. He missed it. Alan Gregory, Department of Economics, University of Exeter

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FINANCIAL TIMES

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Friday March 26 1993

Heseltine at the coal face

IT HAS taken Mr Michael Heseltine, Britain's trade and industry secretary, five months to clear his throat and try once more to explain what he thinks to be the appropriate future for the country's coal industry.

On October 13 last year, he announced that demand for British Coal's output was falling so fast that he could see no alternative to the company's plan to close 31 of its 50 pits. With the recession at its bleakest, the public edgy and the Tory backbenches in a flush of post-election enthusiasm for lording it over a government with a slim majority, the proposals hit an unscalable wall of resistance.

Yesterday, Mr Heseltine looked muscular enough to scale that wall. He now thinks that 12 of the 31 doomed pits can be saved. But at what cost has this been achieved, financially and in terms of additional demand for Britain's energy industries?

The 150-page document Mr Heseltine produced yesterday to support his case at least has the merit of stating soundly, if inelegantly, the principles upon which energy policy should be based. It says: "Competitive markets provide the best means of ensuring that the nation has access to secure, diverse and sustainable supplies of energy in the forms that people and businesses want, and at competitive prices."

It is also obvious that Mr Heseltine has not changed his view that the coal industry faces decline, at the hands of cleaner, cheaper gas and continued supplies of cheap electricity from nuclear power stations where construction costs have been written off and where decommissioning costs are to be paid whether they are shut down or kept going.

Resisting pressure

The government has resisted most of the most foolish things urged by its critics. It will not delay the liberalisation of the electricity supply market; it will not switch off supplies of French electricity; it will not interfere with freely agreed contracts based on gas-fired power stations. It will not instruct the big electricity generators, National Power and PowerGen, to buy more coal than they think fit. Or at least, it will

not do so openly. At the same time, it has made concessions to the influential Commons Trade and Industry Committee which are at worst harmless. There will, for example, be an annual energy report and a panel of energy advisers, perhaps along the lines of the Treasury's panel of forecasters. Both these innovations could improve the quality of public debate and force the government to set its market-led energy policies in a strategic context and so avoid conceding by default the argument that it lacks an energy policy.

Unclear picture

So far, not so bad. The problem is that for all its welter of detail, the report fails to give anything like a precise picture of the cost of the subsidies it proposes to make British coal more saleable. Since the report also suggests the government may lean on the power generators to carry more stocks than they need, there is a further potential line of subsidy under the table.

Worryingly, no clear time limit is set on these subsidies, limiting the possibility that a weak government will in practice back off from difficult decisions, requiring the taxpayer to pick up any bill British Coal happens to run up. In other words, it could be business as usual for the British coal industry.

This need not be the outcome. If the government does as it promises and presses on quickly with a privatisation bill, while lifting British Coal's effective monopoly on the licensing of mines and putting all redundant pits up for sale, the coal industry could be quite swiftly transferred to the private sector. There, it is much more likely to achieve the productivity advances which consultants have argued to be feasible. Since the subsidies proposed yesterday will also be available to private sector coal companies, they could be used as fixed-term sweeteners for privatisation deals.

Mr Heseltine has the makings of the right policy, but it will take more months of political skill and determination to achieve it. His next steps should be to come clean about its cost and get on with the job of privatisation.

Tasks for the mobile manager

IBM IS apparently about to choose a consumer products boss as its new chief executive. Barclays is looking worldwide for a "change agent" who could come from outside banking. Liva, Italy's state-owned steelmaker, hopes for rescue from a newly recruited Japanese manager. Volkswagen, in hiring GM's procurement supremo, has also taken his sidekick.

With "back to basics" and "sticking to your knitting" the business clichés of the hour, you might think the mobile manager would be out of favour. Instead, top executives skip from group to group like soccer managers; and shareholders call for fresh management "from outside" whenever problems appear intractable.

Two factors contribute to this trend. First is the one Sir Denis Henderson, who is heading the search for Barclays' new boss, alluded to when he talked of the need for a "change agent". The 1980s belief in generalist management skills has dropped out of favour - to be replaced with a belief in a generalised talent for instigating change.

Thus Mr Louis Gerstner, favourite for the job at IBM, is in demand because he has brought about change at American Express and RJR Nabisco. Now he can apply those skills to changing what was once America's mightiest corporation. On this issue, above all, an outside manager can offer insights that insiders miss.

Significantly, most of the big companies currently looking far afield for management talent have this sort of problem. IBM must decide just which of its huge range of computer activities are its core business; VW must shift from internal to outside sourcing of components; and once its immediate debt problems are past, Barclays must resolve the tension between a domestic retail financial services operation and an internationally minded wholesale banking and securities business.

Perhaps there is, after all, no contradiction between the back-to-basics mood and the desire to find top managers from outside. Companies must decide just what their knitting is, before setting about the task of sticking to it. For those who find that difficult, an outside manager who can help is worth all the fees and bad publicity that a public search entails.

Obsolete model

Global competition, the revolutionary impact of information technology, the ever-vaguer boundaries between a company and its suppliers and customers - together these are making the traditional corporate model obsolete. When new managers are sought, the underlying belief is that they will resolve the crisis - or perhaps merely make it go away.

In such circumstances, an incoming executive's success depends only in part on those characteristics of will-power and moral certainty that headhunters call "leadership qualities". More decisive, in the long run, is the

Valuable insights

Yet an outside manager has one enormous advantage over even the most competent insider. The most difficult aspect of the crisis of the corporation is the need for companies to redraw their boundaries - to cope with changing global competition by taking a fresh look at what they make, as opposed to what they buy, and how they relate to suppliers and customers. On this issue, above all, an outside manager can offer insights that insiders miss.

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European industry is in the grip of recession and wants government to do something about it. There are cries for help from makers of Spanish steel, Dutch trucks and Portuguese textiles. The EC's formal answer is clear: the old days of helping lame ducks and picking winners have passed. The best future for Europe's manufacturing lies in competition and the single market. But that policy was agreed in the prosperous late 1980s. Now that times are tough again, can Brussels hold the line?

"The next few months," says a senior EC official, "are decisive for the credibility of our policy." The official line is established in a document produced by the European Commission in 1990. The document has all the hallmarks of close co-operation between the EC industry commissioner, Mr Martin Bangemann, and Sir Leon Brittan, then competition commissioner and a staunch opponent of interventionist industrial policy.

It backed a "hands-off" approach, based on firm rules and the creation of a stable environment for Community industry. Companies themselves would have to do most of the work to remain globally competitive. The Community would do its best to provide, in the jargon of the paper, the "prerequisites, catalysts and accelerators" for growth.

"The aim is to make European industry effective," says Mr Bangemann. "To be there if there's a problem and to help industry to overcome the problem."

The argument is expanded by Mr Riccardo Perissich, director general for industry at the Commission. "The only conviction I have is that there should be a large manufacturing base in Europe. That still is the main source of prosperity in our society. The fashionable ideas of the 1980s that we are going towards a post-industrial society are rubbish."

But from that point onwards, I've never believed in sunset industries and advanced industries - things we should have and shouldn't have," he says. "It could be madness to invest too much in computer chips where one cannot be competitive. Textiles can be a fantastic industrial base, provided they are competitive. In the world we're living in, sectoral priorities are very dangerous."

But senior Commission officials concede that times are now harder. "When the sun shines and we all feel warm, it's easy to renounce the policy of preferring one sector against another," says one.

Mr Perissich adds: "The pressure to be defensive is increasing, there's no doubt about that. The 1990 document was written at a time when European economies were converging and there was good growth, and now we have neither."

In addition, threats by the new

Recession has put Brussels' hands-off approach to EC industry to the test, say Andrew Hill and Tony Jackson

In sickness and in health

US administration to act tough in existing trade disputes - public procurement, steel and civil aircraft - and suggestions that President Clinton may intervene to assist important strategic US industries are tempting EC member states, if not the Commission itself, to respond with a European brand of protectionism and interventionism.

A separate danger is pointed out by Mr Karel Van Miert, who succeeded Sir Leon Brittan as competition commissioner in January. In the 1980s, he says, national industrial interests were increasingly subsumed in EC-wide policy. "The tendency now, with the depressed economic situation and public opinion, is in the opposite direction. That means that more and more, regions or member states will themselves be under pressure. Enterprises are going broke, and state aid is being given in cases where it doesn't make any sense."

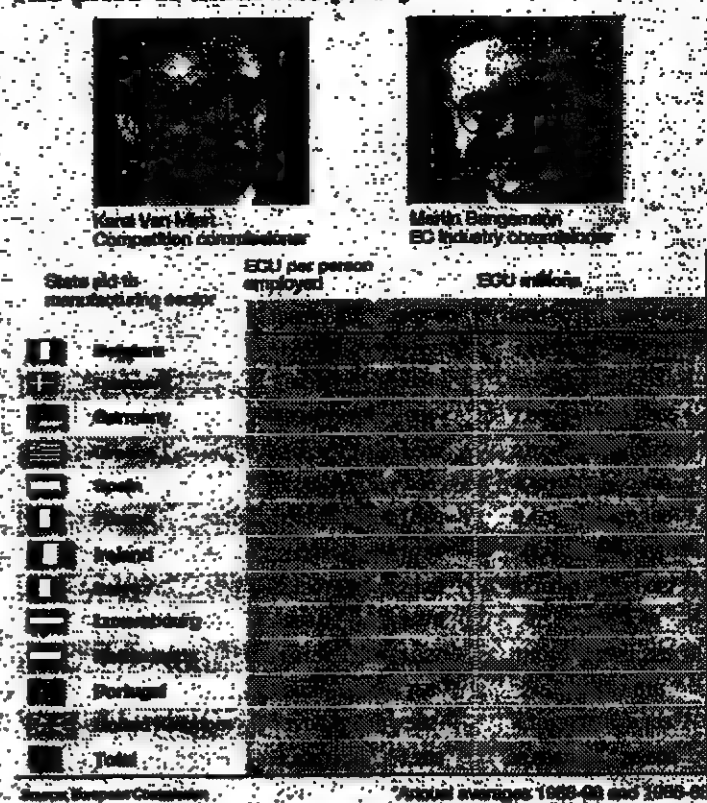
At the moment, Mr Bangemann and Mr Van Miert are preoccupied with the plight of the EC steel industry - hit by recession, cheap imports from non-EC countries and overcapacity. If an EC-wide plan to support the industry is to succeed, they must dissuade countries such as Spain, Italy and Germany from unilaterally subsidising Europe's least efficient steel producers without regard to the effect on the rest of the EC industry. Mr Van Miert has warned of a damaging "state aid race" in the steel industry, which could be mimicked in other politically sensitive sectors such as cars and electronics.

However, as another Brussels official says, there is a simple response the other way. "The money isn't there," he says. "[Funding for] industrial policy is being crowded out by the cost of servicing debt."

But if the picture looks like one of straightforward competition uncluttered by subsidy, it becomes less clear on inspection. As another senior official says: "In Brussels you find little ideology, but you find a lot of interests."

Commissioner Van Miert says: "If it were all left to competition inside the Community, what would be left of agricultural policy? What would be left of shipbuilding? Nothing. What would be left of steel? Not very much. Of textiles?

The price of industrial policy



Not very much.

From a free market viewpoint, the obvious question is whether that matters. "Of course it does," the commissioner says brusquely. "Do you really believe our competitors take that kind of view? Do the Japanese? Do the Americans? You should not be naive about it. I very much believe in competition, but not as a religion. You must observe a proper balance."

This raises a separate question. In Japan and increasingly in the US, it is taken for granted that certain strategic industries - the so-called technologies of the future - should receive special treatment. In the widest sense, this constitutes picking winners. Where does the Commission stand?

Mr Perissich is carefully ambiguous. Take, for instance, electronics and telecommunications. "It's difficult to have a very clear strategy of

what Europe should do there. On the one hand, it would be madness for us to concentrate the enormous resources it would take to make sure that European industry becomes a player at the same level as the big American and Japanese competitors. It could be done, but the cost-effectiveness of the operation would be impossible to prove. At the same time, I am also open to the argument that in some elements of these technologies, there is a danger of dominance by oligopolies based elsewhere. They can then play a number of games - technological protection, predatory pricing - which distort the situation."

The same ambiguity informs his view of possible lame ducks. The European car industry, he says, has every chance of survival. But what if it did not? "In political and social terms it's an enormously important industry. Psychologically too. If you

John Plender says France's commitment to the franc fort policy threatens financial stability

Le doomsday machine

With the leaders of the main parties in the French elections uniformly committed to the same brand of hair-shirt economics, the only worthwhile political debate has been taking place in the markets. The question remains: is the franc fort policy, to which the new government will be committed as the old, sustainable? It matters not only for the growing army of the unemployed in France, but for the future of Europe.

The starting point of the debate is the conjunction of French short-term interest rates of about 11 per cent with inflation heading for 2 per cent or less. The French economy is thus living with real (inflation-adjusted) short-term rates of interest of nearly 9 per cent. That is only a minor irritant for many private individuals, since home loans are largely at fixed long-term rates. The banks' prime lending rates, which apply to 90 per cent of consumer borrowing, have been kept artificially low at 10 per cent to mitigate the pain for others.

But for the corporate sector it is another matter. There, as a recent paper from Midland Global Markets

Research points out, only 30 per cent of total debt is long term. The squeeze is most severe for small businesses, which are dependent on the banks for funds. They, too, are helped by the banks holding these rates at artificially low levels. But not enough, as Midland says, to prevent soaring bankruptcies.

The real crunch, however, is in property, where the fall in the Paris market is becoming serious. The banks could probably live for some time with base rates below their marginal cost of funds, particularly where they have access to cheap retail deposits. But as Robin Monro-Davies of the rating agency IBCA argues, they cannot survive a remorseless deterioration in the quality of their assets. The scale of the problem is so far smaller than in Britain or the US. But for want of lower interest rates, the French are manufacturing a comparable crisis.

A government committed to the European exchange rate mechanism is necessarily condemned to this seemingly perverse course of action.

Instead of bolstering bank profits by reducing short rates, as the US Federal Reserve has successfully done in comparable circumstances, the authorities are maintaining an inverse yield curve - that is, keeping short rates above long rates. The result is a doomsday machine which, if allowed to continue, would eventually destroy the solvency of

If allowed to continue, the policy would eventually destroy the solvency of the banking system

the banking system, wreck the public finances and impose a savage credit crunch on the economy. No one has told the Paris Bourse, which has been looking forward to bank privatisation. While the rating agencies have downgraded the debt of big French banks, share prices of Banque Nationale de Paris, Crédit

Lyonnais, Paribas and Suez have risen by about 30 per cent since the new year, far outperforming the market. This looks like cloud-cuckoo land.

In effect, the government is betting the whole banking system on a sudden dash for Franco-German monetary union, or on the Bundesbank reducing interest rates far and fast. The promise of early monetary union, combined with an open commitment to defend a fixed parity at any cost, would help by reducing the risk premium in French interest rates - the extra return to compensate for not being in the more stable D-Mark.

But will the Bundesbank be bludgeoned into accepting a deal that puts it out of business and kills the D-Mark? And will Bonn be so keen on monetary union with a new French government whose trade policy it finds repellent?

If, implausibly, the answer to both questions is yes, the banking problem would be more manageable. But interest rate convergence

told public opinion tomorrow that the car industry was going to disappear, they would look on that as a tremendous loss."

But, he adds, "We gradually have to bring people to accept that if they stick to the narrow concept that there must be an Italian or a French or a German or a British car industry, then they are doomed. But that can only happen if we are both pragmatic and cautious."

All the same, it is hard to find a voice raised in Brussels these days in favour of old-style dirigisme. There seems to be universal commitment to the principle of the internal market, which officially opened for business on January 1 and is described by one official as "the largest industrial policy move we've made for years". There has been no attempt by member states to restore internal barriers to goods, services and capital, despite the fact that the pressures resulting from the single market have worsened the effects of recession.

The shortage of cash is also a reality. According to Commission figures, subsidies to manufacturing in the Community have been gradually declining since 1986. Aid by individual states totalled Ecu36bn (£29bn) between 1988 and 1990, 9 per cent down on the preceding two years. "Not only do we have more rules, not only do we operate those rules more transparently, there's also less money available," says a senior competition official.

That observation applies to both national and central policies. EC leaders agreed at the Edinburgh summit that the overall EC budget would rise to Ecu84.1bn by 1999, in 1992 prices. Of the total, the EC's common agricultural policy - the archetype of a flawed sectoral strategy - will receive Ecu38.4bn in 1999. Structural funds, spent on the poorest parts of the Community, will reach Ecu30bn. By contrast, the budget for "internal actions" - including the funds earmarked for industry through R&D, transport and infrastructure spending - will rise from Ecu3.94bn in 1993 to only Ecu5.1bn in 1999.

Mr Bangemann, who has held the industry portfolio since 1989, claims a lack of funding has never hampering his strategy. "My policy isn't based on money, it's based on policy," he says.

The December reshuffle of Commission portfolios gave him control over telecommunications and a substantial part of the Community's R&D funding. In principle, Mr Bangemann wants telecommunications - including information technology - to spearhead EC industry policy in the next two years. The practical reality, however, is that his policy is only one of many competing for a dwindling pot of cash.

with Frankfurt would still leave the French with real short rates of more than 6 per cent - swinging in a recession. And the markets might anyway demand higher rates for the unified currency to compensate for the loss of exclusive German monetary management.

As for the Bundesbank, further interest rate cuts are inevitable since the German economy is groggy. Yet the recently agreed solidarity pact looked a conspicuous fudge, with little attempt to prune the public sector until mid-decade. With its own survival at stake, the Bundesbank has less incentive to hurry the cuts; and in view of the continuing laxity of fiscal policy, it is hard to see its council readily conceding any level of interest rates over the next 12 months that would take France off the hook. Meantime, further French victories in yesterday's battle against inflation will simply add to the pain.

The suggestion that if the new French government sticks with the franc fort, and fails to win early monetary union, the sustainability of policy will remain an issue for far longer than assumed. The battle with the markets is far from over.

OBSERVER



"Green shoots or white elephant?"

there is a premium on continuity. Perhaps Wood felt he had to quit so that he might join the list of external candidates vying for the new chief executive's job.

Cloning

For years Bill Gates' competitors have dreamt of the day he would wed. They hoped that marriage would distract the chairman of Microsoft, and the richest bachelor in the US, from his single-minded dedication to building the world's dominant computer software company.

Hence the stock market's reaction to the news that 37-year-old Gates is to marry one of his managers,

Melinda French, 28, is puzzling, to say the least. Microsoft's shares might have been expected to fall sharply, while rival stocks outperformed. But Microsoft's shares have continued to climb since the announcement.

The only possible explanation is that the market fears that the merger will lead to the production of several Gates Juniors and that this will create even more problems for the industry.

Cartoon capers

A year after Punch folded, The Cartoonist comes into being. Although it is being launched on April 1, the fortnightly broadsheet newspaper is no joke.

Backed by the upmarket Courtis, with a handful of small shareholders, it will have an initial print-run of 100,000 and a cover price of £1.20. But says its publisher, John Sorrell: "If we achieve a settle-down figure of 40,000, we'll be very happy." He adds: "We think it is a perfect time to be launching. In a recession people are desperate for things to smile about."

But what happens when the recession ends?

Bowed out

Why has King's College, Cambridge, done a disappearing act with ballerina Lydia Lopokova, the one and only woman whose picture used to enliven its senior

"Combination" room's walls?

The official reason for the removal of the painting, by Duncan Grant, is "restoration". But does suspect that the leaden hand of political correctness is to blame. Besides Lopokova, the picture showed a Peeping-Tom eying her gossamer-clad form from behind a screen - which female members of the college apparently deemed beyond the pale.

Never mind that the watcher was her husband, John Maynard Keynes. Better to have no women at all gracing the walls, than one being ogled by a male.

Mobbs' rule

A pertinent question from an impatient analyst at yesterday's meeting with Slough Estates' management as it announced the second rights issue in two years. Why did Sir Nigel Mobbs, a descendant of one of the founding families, not consider following the example of Barclays, where he is a director, and split his dual role as chief executive and chairman?

Sir Nigel, currently one of the famous five knights looking for a new chief executive for the Bank, said the situation was very different - "Not the same at all."

Team work

How can you tell the Clintons are from Arkansas? Because together their names spell Hillary.

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17

INSIDE

Reichmann recruits former O&Y staff

Mr Paul Reichmann (left) has recruited several former O&Y staff to help him rebuild his reputation in the international property business. Mr Reichmann's restructuring O&Y emerged from bankruptcy protection earlier this month under the effective control of its creditors and the management of an administrator. Mr Reichmann has signalled his ambition to play on a bigger field by setting up Reichmann International. Page 18

Turkey and Taiwan take the fore

The best performing emerging markets in February were Turkey and Taiwan, as interest shifted away from Latin America. Technical factors accompanied Turkey's new mood of optimism as the government cut short-term interest rates, thereby triggering a demand for equities. Venezuela leads this year's saggers. First Boston notes that the market has been volatile pending December's presidential elections. Back Page

Hope for Cretan bananas

There has been a rapid decline in banana growing in Crete ever since the Greek government was forced to lift a ban on imports four years ago. Production has dropped from more than 20,000 tonnes a year in the mid-1980s to about 5,000 tonnes last year. However, the European Community's decision to impose quotas on Latin and Central American bananas, offers Cretan growers a chance of recovering lost markets. Page 36

Out of tune with a musician

The downfall of Mr Hiroshi Kawasumi, the ex-president of Yamaha, the world's largest musical instruments maker, has been swift. Page 20

Brewing activity comes to a head

There has been a flurry of activity from US brewers recently - for example, Anheuser-Busch's stake in Mexico's leading beer producer - as they find their home market flattening. Page 19

APV gives first-half warning

APV, the UK food processing equipment specialist, announced a fall in profits and warned that pressure on prices would affect its results for this year's first half. Pre-tax profits fell from £26.7m to £21.1m (\$31.2m) in the year to December 31, depressed by an exceptional charge. Page 23

John Laing bounces back

In spite of a £21.4m (\$31.6m) provision and poor trading conditions in the UK and overseas construction markets, John Laing bounced back into the black last year. Page 24

Market Statistics			
1000 leading rates	44	London share services	37-38
Benchmark Govt bonds	21	Life equity options	21
FT-A indices	37	London trade options	21
FT world indices	38 Page	Managed fund services	40-44
FT fixed interest indices	21	Money markets	44
FT/FSMA int bond av	21	New int. bond issues	21
Financial futures	21	World commodity prices	38
Foreign exchanges	44	World stock mkt indices	45
London resale issues	21	UK dividends announced	22

Companies in this issue

APV	23	LGH	24
Aspen	18	Lucas Inds	22
Autostar	12	MAI	22
Autostar	12	MAI	22
Autostar	12	MAI	22
Autostar	12	MAI	22
Autostar	12	MAI	22
Autostar	12	MAI	22
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Autostar	12	MAI	22

Chief price changes yesterday

FRANKFURT (DM)	PARIS (FF)
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115
Alcatel	115

LONDON (Pence)

Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37
Alcatel	37

Sandoz sets pace in Swiss drugs sector

By Ian Rodger in Zurich

SANDOZ, the first of the three large Swiss-based chemical and pharmaceutical groups to report 1992 results, has set a high standard for Ciba-Geigy and Roche to match. Consolidated net income rose 34 per cent to SF1.45bn (\$28.5m) on sales up 8 per cent to SF14.4bn.

On a strictly comparable basis with the previous year, net profit was up 17 per cent to SF1.35bn. The directors showed their confidence that the sharply higher level of earnings could be maintained by recommending that the annual dividend be raised by 34 per cent to SF1.47 per share or participation certificate. Cashflow was up 19 per cent to SF2.37bn and the net return on sales rose to 10.4 per cent from 8.3 per cent. Pharmaceuticals account for just under half of group sales, and significantly more of its profits. The group's portfolio is led

by Sandimmun, a drug widely used for suppressing the body's immune system reactions to transplanted organs. Investments in fixed assets fell 6 per cent to SF1.19bn, but spending on research and development was up 13 per cent to SF1.48bn or 10.4 per cent of consolidated sales. Sandoz said that Mr Marc Moret, the shy but autocratic chairman who has dominated the group for more than a decade, would stand down as president of the executive board. Mr Moret, 63, will remain chairman and will still be chief executive officer "for a certain period".

The new president of the executive board and chief operating officer will be Mr Daniel Wagniere, now chief executive of the group's US subsidiary and a Sandoz employee since 1985. Along with the executive changes, Sandoz is regrouping its businesses into two divisions: life sciences, and chemicals and environment. Mr Urs Barlocher, head of Sandoz Nutrition, will lead the life sciences division, comprising the pharmaceutical, seeds and nutrition businesses. Mr Rolf Schweizer, vice-president of the executive board, will head the chemicals and environment division.

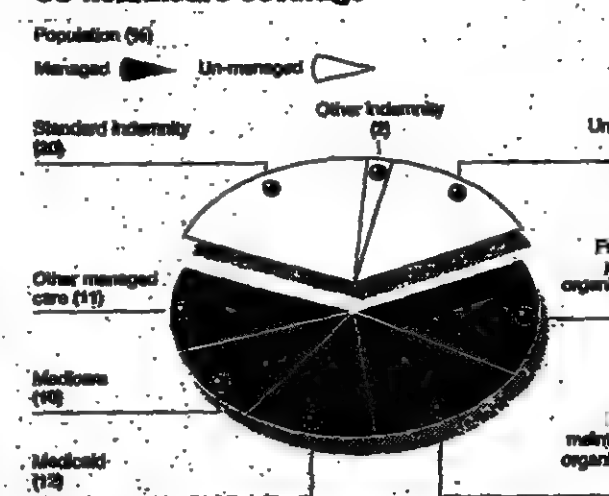
Paul Abrahams analyses changes in healthcare which hurt US drugs groups

Merck warning signals end to age of luxury

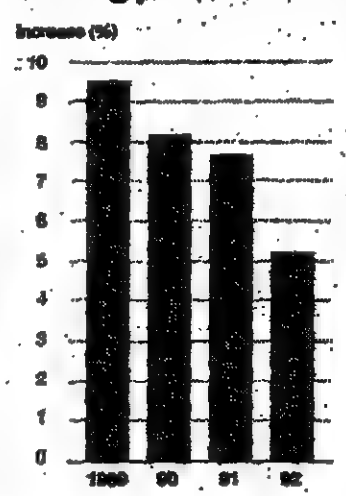
FOR the first time, pharmaceutical groups operating in the US are feeling the effects of price competition. The extent of the change from the 1980s, when drugs companies could increase earnings merely by raising prices, was forcefully underlined this week as Merck & Co, the world's largest pharmaceuticals company, announced a profits warning.

The group, regularly voted the best-managed in America, blamed its slowing growth on the increasingly turbulent competitive environment in the US. Healthcare cost-containment measures in other countries and adverse currency movements were also cited.

US healthcare coverage



US drug price increases



The market has become accustomed to weaker groups such as Eli Lilly and Marion Merrell Dow forecasting slowing growth, but not companies of Merck's quality. "You don't expect the Mercks to blow up," commented Mr Ronald Nordmann, drugs analyst at PaineWebber in New York.

Merck, like other companies, has been hit by the growing power of the US-managed healthcare market to control prices. The proportion of medicines influenced by managed healthcare has increased from about 15 per cent of the market five years ago to about 50 per cent, according to Mr Hemant Shah, pharmaceutical analyst at HBS & Co in New York.

The experience of SmithKline Beecham, which secured a 1.5 per cent reduction in US prices last year, could become increasingly common, he explains. In therapeutic areas with many medicines in the same class - such as antibiotics, anti-inflammatories

and refuse to offer sufficient discounts risk finding themselves excluded from managed healthcare formularies - the lists of medicines doctors are allowed to prescribe. The drugs groups have exacerbated the situation by launching new products that can only be differentiated by price. Sales growth of Merck's cholesterol-lowering drugs Zocor and Mevacor has been hit by the aggressive pricing of Bristol-Myers Squibb's recently-launched Pravachol. Merck announced temporary price cuts for its cholesterol products this month.

Similarly, the growth of the \$1.7m anti-inflamatory market has slowed significantly because of price competition between Warner Lambert's new drug Acupril, and established medicines Vasotec, from Merck, and Bristol-Myers Squibb's Capoten, according to Mr Moore at Morgan Stanley. The latter were the world's second and third best-selling drugs in 1991.

Drugs manufacturers have been forced to compete by offering larger and larger discounts to the managed healthcare sector. Those whose prices are too high

are being squeezed out of the market. The problem for the industry and Merck is that price competition is set to worsen. A number of significant drugs lose their patent protection over the next two years. Admittedly, none of Merck's drugs are directly

affected by patent expiry. But the introduction of cheap generic medicines in areas where Merck has relatively expensive patented products will hit sales. Next year, for example, sales of Merck's anti-ulcer drug Pepcid and Glaxo's Zantac are likely to

be squeezed out of the market. The problem for the industry and Merck is that price competition is set to worsen. A number of significant drugs lose their patent protection over the next two years. Admittedly, none of Merck's drugs are directly

Manufacturers whose prices are too high risk exclusion from the lists of medicines doctors prescribe

The pressure imposed by a government controlling 65 per cent of the market could be intense

Hermès proposes flotation on Second Market in Paris

By Alice Rawsthorn in Paris

HERMÈS, one of France's most famous luxury goods groups, plans to go public this summer by floating part of its equity on the Second Market in Paris. The flotation, details of which will be announced in Paris next week, will mark the end of a tradition of private ownership for Hermès, which has been controlled by the Hermès family since 1837 when Mr Thierry Hermès set up a workshop to make horse harnesses in Paris.

However, the founding family, which owns just under 90 per cent of the equity, is expected to retain control after the flotation. Companies need only release a minimum of 10 per cent of their equity to join the Second Market. Hermès, best known for its silk scarves and leather goods, has recently been revitalised under the chairmanship of Mr Jean-Louis Dumas, the fifth generation of the Hermès family to run the family company.

The group's sales rose five-fold during the 1980s to peak at FF4.56bn (\$457m) in 1989. Mr Dumas has pursued a strategy of aggressive international expansion, combined with scrupulous quality control. Hermès operates at the top of the luxury goods market. Its famous Kelly bags, named after Princess Grace of Monaco, take 20 hours to make by hand and cost at least FF14,000. Hermès is going public at a sensitive time for the luxury goods industry, now under intense pressure because of the global recession. So far, Hermès has been more resilient than other luxury groups. However, sales have fallen slightly since their 1989 peak to around FF2.4bn (it does not disclose profits) for the past three years.

Barclays loses finance director

By John Gapper, Banking Correspondent

MR PETER WOOD, finance director of Barclays Bank, is to leave the UK bank and join Standard Chartered, Barclays said yesterday. The announcement came the day after Barclays had disclosed it intended to appoint a chief executive from outside. Mr Wood, 50, who would have been a contender to take over as chief executive of Barclays if it had wanted an internal appointment, made no comment on the reason for his departure. Both banks said he had been talking to Standard since January.

Barclays appointed Mr Oliver Stocken, finance director of its E2W investment banking division, to succeed Mr Wood from May 1. Mr Andrew Buxton, Barclays' chairman and chief executive, said the bank was "sorry to lose" Mr Wood. Mr Wood will succeed Mr Richard Stain, who is retiring as a director from June 30. Mr Rodney Galpin, Standard chairman, welcomed Mr Wood's "wide and

varied experience in one of the world's leading banking groups". Barclays emphasised yesterday that talks about Mr Wood's appointment had preceded its announcement on Wednesday that it will undertake a worldwide search for someone to take on Mr Buxton's role as chief executive while he remains chairman. Mr Wood's approach to Standard came after Mr Buxton disclosed that he intended to split his two roles, and might seek a chief executive from outside. Some institutional shareholders had pressed for a division of the roles.

"I would like to do it as quickly as we can, but it is not going to be that easy. There are not that many candidates," says Sir Denis Henderson, the non-executive director of Barclays Bank who is leading the effort to find a new chief executive. "Sir Denis says the bank has 'some very competent' people at the top. But the decision to look outside sends a signal to the



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INTERNATIONAL COMPANIES AND FINANCE

BMW escapes worst of downturn in motor sector

By David Waller in Munich

BMW is escaping the worst of the downturn afflicting the German motor industry, Mr Eberhard von Kuenheim, the group's chief executive said yesterday.

Mr von Kuenheim, who later this year will take over as chairman of BMW's supervisory board after 24 years as chief executive, said the group made an operating profit in the first three months of the year - in stark contrast to other German car manufacturers which have plunged into operating losses.

Whilst both sales and production dropped over the three months, Mr von Kuenheim said that the drop was significantly less than that of the

German market overall, where car registrations were likely to fall by 25 per cent over the year.

BMW's turnover was down by 6.4 per cent to DM7.3bn (\$4.6bn) in the first quarter compared to the same period last year and car production slipped by 4.9 per cent to 150,500 units. Car deliveries fell 5.7 per cent to 133,000.

Last week, BMW reported that net profits for last year fell to DM728m from DM783m, although turnover climbed almost 5 per cent to DM31.2bn. BMW said that currency movements had been the chief factor behind the downturn: the appreciation of the D-Mark in the latter months of last year had shaved DM200m to DM300m from operating prof-

its. These were down to DM1.48bn last year from DM1.75bn in 1991.

The BMW group delivered a record 594,895 cars last year, 42,235 more than in 1991. The US saw sharp growth where deliveries rose by more than 20 per cent to 66,000. BMW said yesterday that it expected US sales to increase by at least 10,000 cars this year.

Mr von Kuenheim said that BMW had no intention to seek a listing for its shares on the New York Stock Exchange, in spite of Daimler-Benz's announcement earlier this week that it was hoping to list its shares on Wall Street by the end of the year. Mr von Kuenheim said that US accounting disclosure requirements were too onerous.

Sales at Bertelsmann climb 6.9% in first half

By Ariane Ganiard in Bonn

SALES at Bertelsmann, the world's second-largest publishing and media concern, rose by 6.9 per cent to DM3.8bn (\$5.3bn) in the first six months of the current fiscal year.

Domestic sales for the six months ending December 31 1992 increased by 11 per cent, totalling DM3.4bn. International sales rose by 4.5 per cent to DM5.4bn. The group's total sales for the whole business year stood at DM16bn.

The group said it was "confidently facing the rest of the business year". It expects to pay around DM15 dividend on its profit-sharing certificates when distributable profits are disclosed in November.

Sales for the six months particularly increased at Bertelsmann music group, up 12.1 per cent to DM2.4bn and in the group Gruner & Jahr's publishing division, where a 8.9 per cent rise brought them to DM1.9bn.

Sales in the international book and record clubs division improved by 4.1 per cent, to DM1.7bn. Book sales in Switzerland, Austria and Germany rose by 11.5 per cent to DM990m.

Redland shares tumble on tax charge fears

By Andrew Taylor, Construction Correspondent

FRARS that UK tax charges will rise sharply over the next two years sent Redland's share price tumbling 4 per cent yesterday in spite of the announcement by the British building materials group of a 19 per cent pre-tax profit rise last year.

The share price of the world's biggest roof tile manufacturer fell 21p to 467p over concern that the company will generate insufficient UK profits this year and next year to offset against advance corporation tax (ACT) payments.

Lex, Page 16

Low first pay-out for Italian bank

By Haly Simonian in Milan

ISTITUTO Bancario San Paolo di Torino, Italy's biggest banking group in terms of assets, closed its first year as a listed company with a L300-a-share dividend, appreciably below some forecasts made at the time of the flotation.

Although the bank had indicated a dividend of up to L400 a share, some analysts had set their sights even higher. The eventual pay-out reflects the effects of unexpected tax increases, which cut earnings by around L35bn (\$22m) at parent bank level, and heavier loan loss provisions owing to the recession.

The impact of tax and credit problems stood out at group

level, where net profits after minority interests fell by about 7 per cent to L502bn from a pro forma L553bn in 1991. Provisions amounted to L647bn, while write-downs on securities and shareholdings reached L294bn. Overall group pre-tax income rose 8 per cent to L1.232bn.

Net profits for the parent bank increased by 2 per cent to L300bn, while pre-tax earnings jumped by 17 per cent to L779bn, in spite of loan loss provisions of L620bn and write-downs on securities of L120bn.

Group deposits climbed by 12.4 per cent to L170,500bn, while direct lending to clients went up to L89,755bn. The effect of recession was made clear in the rise in non-

performing loans to 3.38 per cent of the total loan book from 3.84 per cent in 1991.

Credito Italiano, one of the prime candidates on Italy's privatisation list, suffered a steep fall in net profits to L208bn from L289bn in 1991. Group net earnings dropped to L202.5bn from L237bn.

The falls, reflecting sharply lower earnings at most Italian banks last year, were particularly marked in the case of Credito Italiano, the country's sixth-biggest financial institution, on account of its prominent role in securities.

Rising interest rates in the later months of 1992 triggered steep falls in government bond prices, leading to expectations - now realised - of heavy

write-downs on many banks' securities portfolios.

Credito Italiano wrote down L243bn on its securities holdings - the largest figure reported by any bank in the current results season. However, the dividend is being maintained at L85 for ordinary shares and L100 for savings shares.

The bank escaped relatively lightly on loan losses, which have risen sharply elsewhere. The proportion of non-performing loans in Credito Italiano's total portfolio rose to 2.01 per cent from 1.99 per cent in 1991.

Gross operating profits, which rose 16.5 per cent to L1.238bn, were helped by a 191 per cent surge in the bank's interest margin to L2,388bn.

Swiss carrier halves dividends

By Ian Rodger in Zurich

SWISSAIR, the Swiss national airline, said it would halve the dividends on its shares and dividend right certificates following unsatisfactory 1992 results.

While group net profits rose more than one-third to SFr113m (\$75.3m), the gain was mainly due to sales of aircraft and profits from ancillary activities. For the third consecutive year, flight operations were in loss.

Group revenues rose 4.7 per cent to SFr6.4bn. Traffic volume increased 9.1 per cent to 2.7bn revenue tonne kilometres, but because of a severe erosion of fares throughout the world, the parent airline company's revenues were up only 2.7 per cent to SFr5.5bn.

The airline's net profit, including proceeds from aircraft sales, fell 54 per cent to SFr20.5m. The directors proposed dividends of SFr10 per share on the shares and SFr2 per certificate.

Leu Holding, the private banking subsidiary within the financial group built around Credit Suisse, said its consolidated net profit rose 14 per cent last year to SFr104m.

The directors have proposed an increase in dividends from SFr13 per share to SFr14 and forecast further profit improvement this year.

Total assets at the end of 1992 stood at SFr17.2bn, up 3 per cent from a year earlier.

Wellcome stock slide on results

By Paul Abrahams in London

SHARES in Wellcome, the UK drugs group, fell 72p to 818p after the company posted disappointing underlying growth for the first six months.

Pre-tax profits for the half-year to February 27 were at the top end of expectations, up 33 per cent from a restated £204.7m (\$302m) to £234.6m.

Excluding currencies, the increase was 14 per cent. At the time of the Wellcome share issue last year, analysts had been predicting annual profits growth of about 20 per cent. Mr John Robb, chief executive,

said: "I think the figures are pretty damned good given the environment has changed considerably over the last 12 months. The market's reaction shows how volatile and nervous it is to drugs stocks."

"These are not easy times, with countries such as Germany, Italy, Spain and, to a lesser extent, the UK taking extreme measures against the pharmaceutical industry in an effort to control healthcare costs," he said. European prices had declined since the same period last year and sales had been affected by health reforms in Germany.

Turnover from continuing operations increased 22 per cent from £589m to £1,039m. Excluding currencies the rise was 11 per cent. For prescription medicines the increase was 13 per cent, while the over-the-counter (OTC) non-prescription division declined 3 per cent.

Lack of growth in OTC business had partly been caused by 32 per cent growth the previous year, and partly by the low incidence this winter of coughs and colds, an area where Wellcome is particularly exposed, said Mr Robb. He said competition in the US had been fierce.

Aerospatiale posts FFr2.3bn loss

By William Dawkins in Paris

AEROSPATIALE, the French aircraft and missile making group, yesterday provided the latest evidence of the recession in the world aerospace industry by revealing a FFr2.3bn (\$432m) net loss for last year.

This is significantly higher than the loss of up to FFr22m the group was forecasting only earlier this month, and reflects heavy restructuring costs in its aeroplane and helicopter divisions. It compares with a FFr21m net profit in 1991.

Aerospatiale said results would be better this year, and attributed the 1992 setback to airlines having to cancel or delay aircraft orders "under the weight of uncontrolled deregulation and a sluggish global economy". Shrinking military

budgets hit defence orders, helicopter sales were affected by a decline in industrial demand and the overall aerospace business climate was worsened by a trade war initiated by the US, said the French group.

Aerospatiale's sales climbed from FFr48.6bn to FFr52.3bn, representing a rise of just 1.7 per cent on a fully comparable basis, on new orders stagnant at FFr30bn.

Aircraft sales rose by 2.6 per cent, while helicopter sales fell by nearly 12 per cent and space and defence rose by 14.8 per cent. Aircraft represented 42 per cent of turnover last year, helicopters 22 per cent, space 18 per cent and missiles just over 10 per cent.

The group maintained and in some cases increased its mar-

ket share, but its workload was not enough to keep Aerospatiale's plant running at planned levels.

Accordingly, the group was obliged to lose 1,145 jobs last year and 500 more at Eurocopter, its helicopter unit, formed in 1991 through a merger with the helicopter business of MBDA, the German aerospace group.

This led to a FFr1bn extraordinary charge - which covers all the job losses - as against a FFr1bn one-off capital loss in the 1991 net profits, a consequence of the creation of Eurocopter.

The outlook was gloomy in the short-term due to the fragile financial health of airline customers, but Aerospatiale said most of its markets would grow in the longer term.

VNU hit by provision on printing unit

By Ronald van de Krol in Amsterdam

VNU, the Dutch publisher, said a large provision needed for its printing division caused 1992 net profit to tumble by nearly 60 per cent to FFr147.5m (\$26.2m).

The company, which is engaged in talks on trying to sell part of its printing operations, said it planned to maintain its dividend at FFr3.00 because the FFr180m printing provision was a one-off item and also because most of its businesses saw improved performances last year.

If it had not been for the provision, VNU's net profit would have risen by just under 10 per cent to FFr157.5m.

VNU, which released its figures after the close of house trading, said the value of its printing operations had had to be "substantially adjusted" to reflect changed prospects.

It cited in particular the series of currency devaluations elsewhere in Europe which have affected export markets.

Operating profit rose by 18.9 per cent to FFr121.2m, on turnover that was steady at FFr12.74bn.

VNU attributed the profit rise to reorganisations and cost-cutting measures as well as to lower paper prices and profits contributed by acquisitions.

Earnings rise at Belgian retailer

By Andrew Hill in Brussels

GIB Group, one of Belgium's two largest retailers, pushed up sales by 5 per cent in the year to January 31 1993, and increased consolidated profit before tax by 10 per cent to BFr4.18bn (\$124m) from BFr3.75bn.

The group's share of consolidated net profits slipped 3 per cent to BFr3.25bn from BFr3.35bn, partly because GIB had to provide BFr258m for

deferred taxes, to bring the group in line with new accounting rules.

Consolidated turnover last year rose to BFr228bn from BFr217bn and all four sectors of the group's activity - supermarkets, do-it-yourself, fast-food and speciality retailing - showed an increase in sales.

Super and hypermarket sales, which account for 61 per cent of the group total, rose by 2 per cent. Cash flow rose 15 per cent to BFr6.9bn.

The group expects to announce detailed results and dividends in May.

It also plans to spend BFr6.5bn this year on expansion and modernisation of its stores in all four sectors.

The group has also made BFr161m provisions in its 1992 accounts against its 65 per cent shareholding in A-OK which has a minority shareholding in Spirit Holding Company, parent of a 39-store DIY retail chain in the US.

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EXTRACT FROM

THE PRELIMINARY REPORT
ON YEAR-END RESULTS FOR 1992
SKANDIA GROUP INSURANCE
COMPANY LTD

- Premium income, including currency changes, rose by 26 per cent to MSEK 36,525 (29,031).
- Skandia Group's operating result for 1992 was MSEK -2,455 (-580). Net asset value decreased to MSEK 11,470 at December 31st, 1992, compared with MSEK 14,477 at year-end 1991.
- Furthermore, the decrease in net asset value is attributable to continued declines in the value of the Group's real estate holdings, totalling MSEK 1,410, losses in the credit insurance sector in Sweden and abroad, totalling MSEK 890, and exceptionally high claim costs stemming from hurricane Andrew, totalling MSEK 550.
- Restructuring of the Group's reinsurance operations is proceeding according to plan. The year's result has been charged with MSEK 200 in costs for this work. The decision to reduce non-life premium volume by 70 per cent within two years will entail a substantial reduction in risk exposure and an improvement in the Group's solvency margin.
- It is estimated that from January 1st, 1993 through February 28th, the growth in value of the Group's stock and bond portfolios, together with currency changes, has resulted in an approximate MSEK 1,500 increase in net asset value, or SEK 20 per share. With forecasted net premium volume of MSEK 20,000 in 1993 and a net asset value of approximately MSEK 13,000, the solvency margin will be increasing from 51 to 65 per cent on a pro forma basis.
- The Swedish, Norwegian and British non-life insurance operations continued to show very positive development. Negative results are being reported by the Danish and Italian subsidiaries.

SUMMARY OF RESULTS, SKANDIA GROUP

	1992	1991
Insurance result	-470	-441
Surplus value, life funds	272	173
Financial surplus	-308	-7
INVESTMENT INCOME		
Direct investment income	4,085	3,281
Charges in value	-1,245	471
	2,840	4,152
Of which, allocated to reinsurance operations	-3,859	-3,481
Total	-1,019	368
Classified business	-1,000	-
IBJ Group surplus	-99	-137
Interest expenses, loans	-653	-605
Amortisation of goodwill	-248	-351
Adjustments in consolidated accounting	-	-27
Management operating result	-3,414	-1,124
Of which, change in surplus value of assets	-481	-252
Of which, extraordinary items	-705	28
Operating result	-4,255	-580
Extraordinary items	-90	04
Minority interests	10	32
Taxes paid	-68	-227
Deferred taxes	626	00
Result for the year	-2,367	-868

MANAGEMENT OPERATING RESULT AND OPERATING RESULT

The Group's management operating result, which includes unrealised changes in the values of assets, was MSEK -3,641 (-1,134). The decline stems largely from the severe financial crisis.

The management operating result was charged with costs for discontinued business, totalling MSEK 1,090. This includes costs incurred in connection with the run-off of business in the credit insurance company Pan Financial, and restructuring costs for the reinsurance operations. It also includes costs for Skandia Group's involvement in Svenska Kredit and International Credit, totalling MSEK 645, which are reported in the income statement among extraordinary items.

The Board of Directors proposes that no share dividend be paid for the financial year (1991) SEK 4).

The final report for the 1992 financial year will be submitted on April 15th. The Annual General Meeting will be held on May 27th, 1993.

Source of the Preliminary Report: 1992 results available on Skandia Securities, SE, Farnebryggen, London EC2A 1 1D.

Skandia Group

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مكتبة النظم

INTERNATIONAL COMPANIES AND FINANCE

Merrill Lynch
alters structure of
top managementBy Martin Dickson
in New York

MERRILL LYNCH, the largest US securities firm, has shuffled its top management structure, creating an office of the chairman, to focus on developing client relationships, and an office of the chief executive, to run the company on a day-to-day basis.

However, the shake-up has left unclear the answer to one of the more intriguing personnel questions on Wall Street - who is likely to succeed Mr Daniel Tully as president and chief executive of the group?

Mr Tully is due to become Merrill's chairman in June on the retirement of Mr William Schreyer, chairman since 1985.

The restructuring, Merrill's third in three years, comes at a time of intensifying competition in broking - demonstrated by the recent merger agreement between rivals Smith, Barney and Shearson - and investment banking, an area where Merrill has big ambitions.

Mr Tully said the new structure was the "next logical step in Merrill's strategic evolution over the past two decades from

a sales-oriented organisation to a marketing-oriented, client-focused financial management and advisory company."

The office of the chairman includes Messrs Schreyer and Tully along with Mr Stephen Hammerman, vice-chairman, and Mr John Helmann, chairman of global financial institutions.

It involves two other men who have been given new titles: Mr Barry Friedberg, head of the investment banking group since 1985, becomes chairman, investment banking. Mr Thomas Patrick, previously executive vice-president, equity markets group, becomes chairman, special advisory services, in charge of liaising with clients on new product ideas.

The executive office includes Mr Tully, Mr Hammerman, and Mr John Steffens, executive vice-president for the private client group, along with two other men given new titles: Mr Herbert Allison becomes executive vice-president for investment banking and Mr David Komansky becomes executive vice-president for both the debt and equities markets groups.

Swedish property group
slumps to SKr1.22bn lossBy Christopher Brown-Humes
in Stockholm

NCC, the Swedish property and construction group, slumped to a SKr1.22bn (\$157m) loss in 1992 after property write-downs of SKr1.4bn.

The group was also hit by SKr417m in losses from associate companies, including the stainless steel group Avesta Sheffield and the shipping company Effjohn. It is scrapping its dividend after paying out SKr2 per share in 1991, when its loss was SKr122m.

NCC said its result before property write-downs and excluding associate companies improved to SKr587m from SKr430m despite weak con-

struction markets and falling rent levels. Its rationalisation programme, which has cut 4,300 jobs, had started to yield results, with overheads down by more than SKr500m.

The construction division improved profits to SKr811m from SKr742m, while real estate operations returned a SKr88m profit before write-downs, against a SKr22m loss in 1991. The international division recorded a reduced loss of SKr20m, compared with SKr128m.

NCC has written down its property portfolio by SKr1.8bn in the past two years. The latest write-down was bigger than its forecast of SKr700m-SKr1bn.

Reichmann
selects fresh
team from
O&Y staffBy Bernard Simon
in Toronto

MR PAUL REICHMANN, the guiding light in the rise and fall of Olympia & York, has recruited several former O&Y employees to help him rebuild his reputation in the international property business.

Reichmann International, Mr Reichmann's new company, has rented offices in Toronto formerly occupied by O&Y. The restructured, but much-shrunken, O&Y emerged from bankruptcy protection earlier this month under the effective control of its creditors and the day-to-day management of a lender-appointed administrator.

The debt-restructuring included the creation of a modest-sized property management company, O&Y Properties, under the management of Mr Philip Reichmann, Mr Paul Reichmann's nephew, and Mr Frank Hauer, his son-in-law. The elder Reichmann, however, signalled his ambition to play on a bigger field by setting up Reichmann International. He recently announced he was teaming up with Mr George Soros, the New York investment manager, to create an international property fund. The fund's first investment is expected to be in Mexico.

RI's recruits include Mr Peter Anderson, an American finance specialist. Mr Anderson spearheaded the abortive attempt by Canary Wharf, O&Y's former flagship project in London's Docklands, to raise money in the months before its collapse through an Enterprise Zone unit trust.

Mr Anderson went to Canary Wharf about two years ago from Swiss Bank Corporation's London office, where he was executive director in charge of equities.

RI has also hired Mr Ronald Soskolne, a South African-born architect who led the design team for Canary Wharf and New York's World Financial Centre.

Neither Mr Anderson nor Mr Soskolne has a formal title.

US brewers look for more overseas flavour

By Nikid Tait in New York

THE DEALS are coming thick and fast. On Monday, Anheuser-Busch, the number one brewing company in the US, unveiled plans to buy a 17.7 per cent stake in Mexico's leading beer producer, Grupo Modelo. A few days earlier, it announced a joint venture with Kirin Brewery in Japan.

In January, Miller Brewing, the second-largest US brewer and part of the giant Philip Morris group, bought a 20 per cent interest in Molson Breweries, Canada's largest brewer.

In December, Miller took a near 8 per cent interest in Fomento Economico Mexicano, a second Mexican brewer whose market share is only slightly smaller than Grupo Modelo's.

The rationale behind the flurry of activity is fairly simple: the US brewers' home market has been depressingly flat of late.

The Beverage Marketing Corporation, a New York-based consultancy group, estimates US domestic beer sales amounted to 182m barrels last year, virtually unchanged from the 1988 figure of 187.4m barrels.

In the three intervening years, sales stood at 188.1m, 183.2m, and 188.3m barrels respectively. The lull in 1990, moreover, was largely explained by a run-up in stocks ahead of a doubling in federal excise tax.

The explanations for this bleak situation range from the ageing of the "baby-boom" generation to the higher tax burden and associated rise in prices.

Increasing emphasis on "healthy" eating and drinking has played a significant part, too.

For years, the big brewers have been producing "light" beers, and the top three brands - Miller Lite, Coors Light and Bud Light - now account for more than one-fifth of US beer sales. Within this maturing industry, Anheuser has achieved creditable market share gains. It has increased its take of the US domestic market from around 35 per cent in the mid-1980s to over 44 per cent last year, and has a declared target of 50 per cent. After-tax profits have also increased steadily.

But Anheuser's attempts to diversify into food, snacks, theme parks, even bio-technology, are widely judged to have been a flop. For some analysts,

then, a move to expand the core beer business out of the domestic arena and into international markets which are still growing, cannot come a moment too soon.

Mexico has obvious attractions: the beer market has been expanding, in volume terms, at around 6 per cent annually, while the North American Free Trade Treaty would bind the country more closely to the US economy and accelerate Mexico's growth. Nafta also anticipates that a fairly heavy tariff on imported beers would be phased out.

However, Anheuser has made clear that its interest in Grupo Modelo focuses primarily on the Mexican brewer's potential in its own market, rather than as a conduit for selling Budweiser abroad.

Mexico provides an attractive brew

Damian Fraser examines the rationale of Modelo's joint venture with Anheuser-Busch

CORONA, the light golden Mexican beer, became an international success story in the 1980s. Sold in stylish, clear bottles, it leaped from being the tipple of poor Mexican workers to become a fashionable drink in the US.

Now the beer will be part owned by the US brewing group Anheuser-Busch, the world's largest.

Grupo Modelo, Corona's producer, has been a tightly controlled privately-owned family company since 1925.

The handful of owners, led by Mr Don Juan Sanchez Navarro, are icons of the Mexican business community, and between them have helped run the company for more than 40 years.

They have sold an effective 18 per cent of their company to Anheuser-Busch for \$477m in cash. Soon the owners will take Modelo public, offering another 13 per cent of capital for an expected \$370m in national and international markets.

From 1985 to 1987, Anheuser-Busch has an option to raise its stake to 35 per cent.

By Mexican standards, Modelo is a peculiar company. It does not believe in debt; hardly pays dividends, preferring to re-invest its money; and throughout the wild expansionary days of the late 1970s and early 1980s stuck resolutely to beer.

However, Modelo had, says

Mr Sanchez Navarro, to face the consequences of the North American Free Trade Agreement. "How can we be more competitive?" he asks. "By fighting the American beer groups? Probably they would break us apart. Not exactly in quality, but in prices and sales strategy."

"If they are our partners they cannot. Now we can dedicate our money to improving our distribution systems, and the installations in our factories."

Modelo's joint venture with Anheuser is no doubt prompted by similar ventures expected to be made by its arch-rival, Fomento Economico Mexicano (Femsa). Philip Morris, the US foods group and owner of Miller beer, recently bought 7.9 per cent of Femsa from Citibank for \$155m.

Analysts expect Miller and Femsa's beer division to announce a tie-up later this year, giving the two largest beer groups in the US a foothold in Mexico.

Femsa has also confirmed it is in the final stage of talks with Coca-Cola about a link in its soft-drinks division, worth an estimated \$600m.

Femsa's two breweries have combined sales of \$1.3bn, giving it 48 per cent of Mexico's domestic beer market, against Modelo's 51 per cent.

The two companies have the best distribution networks in Mexico, have tied up most



Mexican wave: dealing a new hand for Modelo

retail outlets in exclusivity contracts, and have - through labels such as Sol, Tecate, Dos Equis, and Corona, Negro Modelo and Victoria of Modelo - a firm hold on Mexican brand consciousness.

Their tight control over the beer market explains why Anheuser entered the Mexican market through Modelo, rather than going it alone.

Imports account for just 0.4 per cent of the Mexican market. This may change under Nafta, with tariffs planned to come down from 20 per cent to zero over eight years.

Mexico should prove an attractive market for the US beer companies for other reasons. Beer consumption is just 47 litres per person annually, about half that in the US. As incomes rise, consumption should increase over the next decade - by 5 per cent annually in volume terms, according to Lavinia Agnew of Barling Research in Mexico City, against 1 per cent annually in the US.

Profit margins, held down by government price controls, excise taxes, and low incomes are expected to increase from their depressed levels of about 10 per cent. Both Femsa and

Modelo are increasingly dividing their beers into premium and basic brands, enabling them to increase margins on some beers.

Anheuser-Busch and Modelo will inter-change personnel in marketing, distribution and finance, giving the Mexican company a significant edge in meeting new demand at home. Modelo is increasing output capacity by about half by building a \$500m state-of-the-art brewery in Zacatecas. Its capacity is 1.2m litres.

Modelo will also use the joint venture to continue its expansion overseas, although in the US it will keep its existing distribution companies.

After flattening out in the US in the late 1980s, sales have picked up, with Corona reclaiming the number two spot for imported beers last year. Sales were around 15m cases - up 13 per cent on 1991. Corona is now sold in 56 countries, with total exports of around \$150m.

Much to its chagrin, the only country where it lags behind Femsa is the UK, where Femsa's Sol beer has had the same impact Corona had in the US in the mid-1980s.

Sol's export version is a pale, fizzy beer, and as such is unknown in Mexico. But because of its success Femsa is planning to sell it in Mexico, complete with English labels.

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Polly Peck International (Finance) N.V.

established at Curaçao
(Netherlands Antilles)

Notice of Extraordinary
General Meeting of Shareholders

to be held on Monday April 19, 1993 at 10.00 a.m. (Curaçao time) at De Ruyterkade 58A, Curaçao, Netherlands Antilles. Subject of the meeting will be amongst others an amendment of the Articles of Association of the Company;

Notice of Meeting of holders of the Company's
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Convertible Preference Shares 1994/2005
("Preference Shares")

to be held on Friday April 16, 1993 at 10.00 a.m. (New York time) at the Marriott East Side Hotel, 525 Lexington Avenue, New York, New York 10017. Subject of the meeting will be amongst others the formation and appointment of Members of a Committee of Preference Shareholders and discussion of a Report of the Board of Managing Directors of Polly Peck International (Holdings) B.V. To the extent required by the Articles of Association, the Preference Shareholders will also be requested to approve the amendment of the Articles of Association.

The agenda of each meeting and the proposed amendment of the Articles of Association are available for inspection and copies thereof may be obtained by shareholders of the Company entitled to attend such meeting at the office of the Company at De Ruyterkade 58A, Curaçao. A Report of the Board of Managing Directors of Polly Peck International (Holdings) B.V. is expected to be available to Preference Shareholders at the aforementioned address of the Company as from April 1, 1993. Copies of the aforementioned documents will be mailed to holders whose Preference Shares are deposited in an account with Euroclear or Cedel. Documents pertaining to either meeting will otherwise only be made available upon satisfactory proof of shareholding.

Preference Shareholders who wish to attend and Preference Shareholders who wish, to the extent entitled thereto, to vote in person or by proxy at the abovementioned meetings must deposit their shares with the Principal Paying Agent, Chase Manhattan Bank, N.A. at Woolgate House, Coleman Street, London EC2P 2HD, United Kingdom, either directly or through Euroclear or Cedel, prior to Tuesday April 13, 1993.

By: The Board of Managing Directors
of Polly Peck International (Finance) N.V.
Curaçao, March 26, 1993

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Bundesbank rate move underpins European sentiment

By Sara Webb in London and Karen Zagor in New York

THE BUNDESBANK'S decision to cut one of its short-term interest rates yesterday raised hopes of a further easing and provided a boost for German and other European government bond prices.

Bund prices received further encouragement from news in

GOVERNMENT BONDS

the afternoon that the Russian parliament chairman, Mr. Boris Yeltsin, said he did not favour the impeachment of President Boris Yeltsin.

Early in the trading session, the Bundesbank said it had cut its three-day Treasury bill rate from 8.4 per cent to 7.5 per cent, which is the same level as the discount rate. Economists pointed out that the move should give the Bundesbank more freedom to cut its repo rate and allow the call money rate to fall further.

"The move went down very

well in the market as it means the Bundesbank will probably lower the discount rate further in the next couple of months," said Mr. Julian Callow, European economist at Kleinwort Benson. "The three-day T-bill rate has traditionally been above the discount rate, so now that they are at the same level it creates the impression that the discount rate will come down," he added.

The bund futures contract opened at 95.26 and rose steadily to a high of 95.67 towards the close of trading.

The release of disappointing inflation figures from one of the western German states yesterday had little impact on the market. Consumer prices in the state of Baden-Wuerttemberg rose 0.4 per cent in the month to mid-March and were up 4.3 per cent from a year earlier.

LONGER-DATED UK government bonds continued to slip as dealers marked down prices ahead of next week's gilt auction, while short- and medium-dated issues traded in

FT FIXED INTEREST INDICES

	Mar 25	Mar 24	Mar 23	Mar 22	Mar 19	Year ago	High *	Low *
Govt Bonds (Bk)	96.50	96.50	96.50	96.25	97.50	95.93	97.00	95.11
Fixed Interest	112.15	112.15	112.04	112.04	113.25	98.80	113.00	97.15
Convertible Bonds	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Real Estate	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
* For 1992/93, Government Securities High price compliance: 127.00, 40.00/25.00, low 40.00 (3/1/92)								
Fixed interest high price compliance: 113.00 (3/1/93), low 95.00 (3/1/93)								
DAILY EDGED ACTIVITY								
Indices*	Mar 19	Mar 23	Mar 22	Mar 18	Mar 16			
Edged Marginal	125.3	129.4	144.8	129.5	117.7			
5-Day Edged	258.0	177.8	194.2	129.9	121.1			

COMPANY NEWS: UK

Extra marketing costs for brand promotion could be found from productivity gains

Revised strategy holds back Reckitt

By Maggie Urry

A CHANGE in strategy towards more promotion of its brands and new product development held back 1992 profits at Reckitt & Colman, the household goods group.

Sir Michael Colman, chairman, said that despite difficult trading conditions the results "exhibited the strength of the brands behind this business which have held up remarkably well".

Pre-tax profits for the year to January 2 on the old accounting basis were slightly lower at £248.3m (£252.3m), although profits reported under FR3 were down sharply to £181.7m (£234m).

The FR3 figure included trading losses of £9.5m from the US spice and seasoning business. The £247.8m cost of selling it last summer hit profits as did a £9.6m reorganisation charge.

Sir Michael said the proposed increase in the final dividend to 10.25p would give a 7.3 per cent increase in the total to 16.2p (15.1p) reflecting the policy of consistent dividend growth.

He said the rise also showed the board's confidence in the revised strategy, although he admitted that the short-term effect would be to hold back profits.

Mr Vernon Sankey, chief executive, said extra market-

ing costs could be found from productivity gains and margins had been maintained at high levels. Operating margins from continuing businesses were 15.2 (15.1) per cent.

Group sales were £1.9bn (£1.95bn) although those from continuing businesses were virtually unchanged at £1.85bn. Operating profits from continuing operations were £281.7m (£280.7m) and total operating profits were £272.1m (£282.5m). Interest charges were £33.5m (£40.3m).

Earnings fell to 25.18p (37.9p) on an FR3 basis or 40.51p (41.76p) on SSAP.

Operating profits in the UK rose 2.2 per cent to £70.1m, with improved productivity

raising margins from 18.8 to 19.7 per cent. In the rest of Europe profits fell from £79.1m to £71.8m as recession began to affect the business. North American profits fell 5.5 per cent to £35.5m as the costs of launching a new electric air freshener cut the margin.

Profits from Australasia and Asia fell from £42.3m to £40.5m, despite strong growth in south-east Asia. Profits from Africa rose by a third to £28.2m and from Latin America by 14.6 per cent to £31.7m.

Mr Iain Dobbie, finance director, said exchange rate moves had added £58.1m to its foreign currency borrowings, though the profit and loss account, which uses average

rates, had hardly been affected. There should be a significant currency benefit this year.

COMMENT

Reckitt's solidly is ideal in recessions. The new strategy, first outlined last year, appears sensible. The conservatism of the management is comforting. However, unlike Colman's mustard, the shares are not going to light fire in investors' hearts for a while. Once the brand promotion strategy begins to come through to profits, though, the shares should do well, especially with the progressive dividend policy. Forecasts are in the £280m to £290m area, for a p/e of about 15.5.

Bemrose in £21m cash call to fund acquisition

By Paul Taylor

BEMROSE Corporation, the Derby-based security and promotional printer, yesterday announced a 1-for-2 rights issue at 265p to raise £21.1m.

The proceeds will be used to fund the acquisition of the outstanding 50 per cent of a US joint venture company, Bemrose Yattendon, and reduce the borrowings of the enlarged group.

The shares gained 17p to close at 343p yesterday.

At the same time, the company announced the acquisition for £4m of Barnard and Jackson, a leading UK diary manufacturer based in north London, and reported a 24 per cent increase in 1992 pre-tax profits, helped by "an excellent contribution from BYL".

Group pre-tax profits in the 53 weeks to January 2 increased to £5.26m (£5.06m), on turnover of £49.7m (£48.6m).

Earnings per share advanced by 22 per cent to 24.28p (19.87p).

The final dividend of 7.48p makes an unchanged 11.75p total for the year.

Under the terms of the proposed US deal, Bemrose will pay "Tatendone Investment Trust an initial \$1m for the stake in BYL and make a deferred cash payment of \$2.5m (£1.76m) a year later.

In addition, Bemrose will consolidate BYL's net debt of \$18.7m at the start of January. BYL is a holding company for three US businesses involved in the supply of promotional products to the US specialty advertising industry. The businesses are Souvenir, Renaissance and Janesville.

Last year the group posted pre-tax profits of \$5.81m (£3.37m) on turnover of \$64.9m (£39.5m).

Mr Roger Booth, Bemrose's chief executive, said the acquisitions represented significant steps for the group. "We are pleased to increase our ownership of BYL to 100 per cent as the recovery in the US specialty advertising industry is emerging."

He added that "the acquisition of Barnard and Jackson will provide significant synergies when combined with our existing diary activities. Overall, prospects for the enlarged group in 1993 are encouraging."

The rights issue of 8.4m shares has been underwritten by SG Warburg.

Thomas Cook surges to £25m

By Paul Taylor

THOMAS COOK, the German-controlled travel agency which played a decisive role in helping Owners Abroad defeat a hostile takeover bid from Altrons earlier this month, yesterday announced a significant recovery in profits for 1992.

Pre-tax profits were £25.3m, against £2.9m depressed by the Gulf war. Turnover increased 13 per cent to £486.5m (£429.6m) with international activities growing by 15 per cent while the UK side gained 12 per cent.

The recovery was led by strong contributions from the leisure travel and foreign exchange businesses.

North Sea Assets down

Reduced demand for drilling support services meant pre-tax profits of North Sea Assets slipped from £2.08m to £1.95m in 1992.

Turnover dropped to £21.6m (£23.1m). Earnings per share were 3.33p (4.16p), and the dividend is 1p (0.75p).

Booker drops to £91m following catering setback

By Maggie Urry

BOOKER, the food distribution and agribusiness group, suffered its first fall in profits since 1990 with a pre-tax outcome for 1992 down from £103.9m to £91m. The shares fell 29p to 410p.

The bulk of the fall was caused by problems at Booker Fitch, the catering food service business, which made a small loss at the pre-tax level. It had taken on new business some of which was unprofitable, and had neglected its existing operations. Trading conditions were poor anyway as fewer people ate out.

Booker does not disclose profits for the activity, but analysts estimated that it made between £12m and £13m the previous year. New management has been installed and Booker is ending unprofitable contracts.

The food distribution division saw pre-tax profits fall from £57.2m to £46.9m. Agribusiness profits were little changed at £20.3m (£20.7m), while fish and prepared foods made £20.5m (£18.4m).

Mr Jonathan Taylor, chief executive, said that 1992 was "a good year to have behind us". He said the emphasis had been on cutting costs.

Although the pre-tax figure was in line with expectations, the market was surprised by a £23.7m (£21.9m) extraordinary debit and a rise in gearing

from 71 to 95 per cent. Group sales were £3.4bn (£3.3bn) and operating profits were £109.6m (£122.8m) boosted by profits of £4.4m from acquired businesses and including businesses. Restructuring in the US, where the chicken and turkey breeding business lost significant market share, cost £12.9m, but this was offset by a £17.1m profit on sale and leasebacks.

Earnings per share fell 18.3 per cent to 30.4p (36.3p). A maintained final of 14.25p is proposed to give an unchanged total of 31.75p.

Under FR3 pre-tax profits were £57.9m (£63.6m) mainly because the extraordinary item moves above the line.

COMMENT

Booker chose a bad day to release these results but even so it demonstrated once again its capacity to disappoint. A year ago forecasts had been for £115m pre-tax. There are some encouraging signs: a return to profits in the turkey and salmon businesses, good performance from the Portuguese cash and carry operation and the prepared foods side. But the main problem of poor trading conditions in UK food distribution combined with management errors will take some time to come right. Forecasts of about £98m suggest a p/e of 13, and the thinly covered yield is 6.6 per cent.

MAI looks set on Intrum Justitia as holding is increased to 17.4%

By Peggy Hollinger

MAI, the financial services and media company headed by Labour peer Lord Hollick, appears to have set its sights on Intrum Justitia, Europe's largest debt collection agency, as its next takeover target.

MAI announced yesterday that it had increased its holding in the Dutch-based, but UK quoted, company by 1.3 per cent to 17.4 per cent.

Intrum's shares were steady yesterday at 88p. The market has been speculating for some time on MAI's intentions towards Intrum.

However, any bid attempt

would have to receive the backing of M. Bo Goranson, Intrum's chief executive, who owns more than 30 per cent of the group.

Earlier this month, Intrum announced a 26 per cent rise in pre-tax profits to £16m. Net borrowings were reported at £16.8m, for gearing of 27 per cent.

Mr Goranson has said that the group, which has been acquisitive in recent years, now intended to consolidate. Half of its sales are generated in Scandinavia, while the UK provides some 29 per cent of turnover.

MAI recently announced a 12 per cent advance in interim pre-tax profits to £39.9m.

Wolstenholme Rink rises 49%

Wolstenholme Rink, the printing industry supplier, reported pre-tax profits for 1992 up 49 per cent from £2.32m to £3.45m.

Turnover slipped from £23.4m to £24.9m.

The Lancashire-based company, which also makes metal powders, said business remained difficult in the UK but widespread export sales and the inclusion of PCO, acquired at the end of 1991, had helped.

Earnings per share increased 49 per cent to 29.3p (20.5p). The proposed final dividend is 10.5p for a total of 17p (16.3p).

Gearing was reduced from 50 per cent to 29 per cent at the year-end.

The share price gained 10p to close at 453p.

Sharp decline at BNB Resources

BNB Resources, the recruitment, training and advertising group, returned a 73 per cent fall in pre-tax profits to £712,000 for 1992.

Mr David Norman, chairman, blamed a rise of £1m in rental costs and a reduction of £1.2m in bank interest income. Barker's regional communication side lost £446,000.

The core advertising business increased profits by 19 per cent to £2.46m despite volume decline in the market, said Mr Norman who expects stabilisation, if not growth, in UK demand this year.

Turnover was up to £62.9m (£54.9m). A final dividend of 3.3p is proposed for a maintained total of 4.9p uncovered by earnings per share of 3p (8.3p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Appleyard	2.6	May 13	5.2	5.2	7.8
APM	2.4	June 11	3.4	5.4	5.4
Arncliffe	5.25	June 25	5.25	7.5	7.5
Bemrose	7.45	June 4	7.45	11.75	11.75
Benson's Crisps	2.15	May 14	2.15	2.15	2.15
Berlin Holdings	1.1	Apr 23	0.55	1.1	0.55
BNB Resources	3.3	May 28	3.3	4.9	4.9
Booker	14.25	July 1	14.25	21.75	21.75
Boots	8.8	Mar 31	8.1	13.4	12.4
Caird	1.37	May 1	1.37	1.37	2.7
Canning (W)	4.35	July 1	4.35	7.29	7.29
Capital Radio	1.75	Apr 6	1.75	5.25	5.25
Clark (Matthew)	6.75	Apr 5	6.75	15.75	15.75
Clarkson (P)	2.4	Apr 5	2.4	1.5	8
Community Hospo	2.25	June 25	1.5	3	6.5
Dawsonsgroup	31	May 14	2.5	4.5	3
Headline Book	2.4	Apr 2	1.8	4.8	4
Headline Book	2.4	Apr 2	1.8	4.8	4
Hanley	6	June 11	6	3	3
Laing (John)	6.3	Apr 5	6.2	10.5	10.2
Laing	1.875	May 6	1.875	1.875	1.875
Law	2.3	Apr 30	2.3	4.95	4.95
Meadows (John)	0.64	May 28	0.64	0.8	0.8
Morrison (Wm)	3.4	May 24	3.4	10.3	10.3
Murray Ventures	1	May 14	0.75	1	0.75
North Sea Assets	1	May 13	1.5	2	1.07
Oliver	1.25	July 1	1.5	3.75	2.5
Pittard Garner	7.15	Mar 31	6.2	10.6	9.28
PowerGen	10.25	July 1	8.55	18.2	15.1
Recit & Colman	16.75	July 1	16.75	26	26
Reed Int	7.25	Apr 5	10.75	12.75	18
Reiters	15.9	Apr 5	12.3	21.2	17
Slough Estates	0.8	Apr 5	7.15	8.1	11.55
Thorpe (FW)	0.5	Apr 5	0.8	2.5	2.5
Trafford Park	14	May 14	0.95	21.5	21.5
Utd Newspapers	10.5	June 2	10.5	4.5	15.3
Wolstenholme	2.88	May 20	2.24	4.5	3.75
Woodchester Inns	4.8	July 1	4	4	13
Wellcome					

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. ‡USM stock. †††Forward.

Caird falls 41% after difficult second half

By Angus Foster

Caird Group, the waste management company which released a profits warning last November, yesterday announced a 41 per cent fall in pre-tax profits, slightly below revised market expectations.

Caird, which on Wednesday announced the departure of Mr Peter Linacre, its controversial chief executive, said pre-tax profits fell from £6.37m to £4.04m in the year to December 31. Interim profits were up slightly at £3.15m (£3.11m).

The company said the second half of the year was difficult, with landfill sites affected by weakening prices. The specialist waste division performed satisfactorily in "recessionary" conditions.

Turnover fell to £19.3m (£26.3m) following disposals and lower revenue from landfill.

Earnings per share were 0.4p (4.79p). The directors are not paying a final dividend on the ordinary shares. As a result, the total for the year was 1.33p (2.7p).

After payment of interim and preference dividends, there was a retained loss of £894,000 (£10.6m).

Nationals help Utd Newspapers to £110m

By Raymond Snoddy

A STRONG performance by Express Newspapers helped Utd Newspapers to pre-tax profits of £110m in 1992.

Operating profit rose 14 per cent, from £104m to £119m, on sales of £832m (£819m). Lord Stevens, Utd's chairman, said the improvement in operating profit reflected "an excellent performance in Express Newspapers and encouraging results elsewhere, most notably in regional newspapers, US advertising periodicals, Morgan-Grampian and PR Newswire."

The higher profit levels had been achieved despite "acute competition and poor trading conditions."

Operating profit at the group's national newspapers - the Daily and Sunday Express and the Daily Star - increased 36 per cent from £24.3m to £33m, helped by the relaunch of the Sunday Express as a tabloid.

Overall profit figures are complicated not just by the FR3 accounting standard, but also by disposals, closures and investments.

The £110m pre-tax figure, up from an adjusted £48.8m the previous year, also benefited from a net £10.4m from the sale of Reuters shares.

The 1991 figures included net exceptional costs of £25.5m relating to losses on the sale of businesses. The restatement reflects the altered treatment of goodwill.

Excluding all the exceptional items, pre-tax profit rose from £77.5m to £98.5m. A 0.5p increase takes the final dividend to 14p and the year's total to 21.5p (21p).

Earnings rose from 10.5p to 10.1p. Mr Derek Terrington, publishing analyst at Kleinwort Benson, described the result as "good across the board." Given the degree of cost-cutting achieved the company seemed well placed for recovery.

Mr Terrington is looking for pre-tax profits of £110m next year, against £98.5m this time excluding exceptional items.

Mr Graham Wilson, group managing director, warned that any signs of economic recovery were patchy and specific to individual publishing markets.

The share price rose 17p to 588p.

Lucas sets up European component joint ventures

By Paul Chesswright, Midlands Correspondent

LUCAS Industries yesterday moved to strengthen its position in European automotive components markets by announcing two joint ventures.

The first, with Sagem of France, is designed to expand gasoline engine management systems sales. Lucas, in addition to technical staff, is putting its Greenville, South Carolina, plant into the venture, while Sagem is transferring two French plants to create a company with £20m of assets and turnover of £20m.

Sagem will have management and equity control; Lucas will have a 30 per cent stake.

The other venture is with Autobridz, the Czech brakes company. Initially Lucas will have a minority stake, but expects to assume majority control after 1994, by which time it will have invested £5m in the joint venture.

Autobridz supplies brakes to Skoda, now within the VAG group, which is Lucas's biggest customer for braking systems. From the Lucas point of view, the joint venture keeps it close to a customer expanding into a new area.

Short-term truck rentals behind Dawsonsgroup leap

By Paul Chesswright, Midlands Correspondent

INCREASING demand for short-term truck rental helped Dawsonsgroup, the commercial vehicle concern, to multiply pre-tax profits more than four times from £1.13m to £4.75m last year.

Mr Peter Dawson, chairman and chief executive, said: "In recession, a large number of vehicle operators have sought to defer capital investment and long-term commitments by turning to short-term rental."

The group invested £10.6m in new equipment for the short-term fleet. Sales rose from £43m to £46.7m. Rentals increased pre-tax

profits from £982,000 to £4.2m on the back of new contracts from companies no longer interested in long-term contracts.

The commercial vehicles division increased pre-tax profits from £144,000 to £294,000. Sales rose only marginally and a large part of the increase represented additional trucks sold to the group's rental division.

Group operating profits rose from £2.26m to £2.99m. Net interest fell to £4.2m (£5.1m). Earnings per share increased to 10.4p (7.7p). The final dividend is raised to 2.5p for an increased total of 3p (1.8p).

Drayton Asia withdraws its reconstruction proposals

By Philip Cogan, Personal Finance Editor

THE BOARD of Drayton Asia, the Far East investment trust, is dropping the reconstruction proposals it formulated in an attempt to defeat a bid from EFM Dragon Investment Trust.

Drayton Asia said it had abandoned the proposals because CIN, the manager of the British Coal Pension funds, had said it would vote against the plans. CIN has a 20.1 per

cent stake in Drayton Asia; the proposals would have needed 75 per cent approval. CIN also has a 20.8 per cent stake in EFM Dragon, a controlling interest in Edinburgh Fund Managers, which runs the rival trust.

Drayton said it invited EFM Dragon to participate in its proposals and explore ways of modifying them to offer shareholders the option of receiving Dragon shares and cash. Dragon rejected the approach.

The Drayton proposals would have offered shareholders a choice between a unit trust and a new split capital investment trust.

Mr Stefan Englebert, chairman of Drayton Asia, said "shareholders should continue to reject the bid until they are offered at least a suitable cash alternative."

However, Mr Iain Watt of EFM Dragon, said that Drayton was in "complete disarray".

Headline Book advances 68%

Pre-tax profits at Headline Book Publishing climbed 68 per cent from £1.22m to £2.05m in 1992.

Mr Tim Hely-Butchinson, managing director, said it had been a difficult year. Sales in 1993 had started better than expected, rising between 1 per cent and 2 per cent on the previous year.

Operating profits rose to £2.03m (£1.24m), including £254,000 from the Bookpoint acquisition. Group turnover increased 40 per cent to £15.7m (£11.3m), with Bookpoint contributing £1.7m.

Earnings per share rose 47 per cent to 11.9p (8.1p) and a proposed final dividend of 3p gives a total of 4.5p (3p).

The figures were prepared under FR3. The reported 1991 pre-tax figure was £1.3m.

British Alcan cuts losses as reorganisation costs fall

By Kenneth Gooding, Mining Correspondent

ANOTHER 1,100 jobs were lost at British Alcan Aluminium and capital investment was cut savagely last year as the group struggled to cope with the worst aluminium industry conditions in living memory.

The pre-tax loss was reduced from £45.6m to £15.9m after charging sharply lower reorganisation and plant closure costs of £4.6m (£29.6m).

British Alcan, a subsidiary of Alcan of Canada, generated a positive cash flow which enabled debt to be reduced from £192.3m to £184.1m.

Cost reduction measures had provided more than £40m of annual savings and productivity gains, said Mr Douglas Ritchie, chairman.

However, the outlook for 1993 was "difficult for the whole of the aluminium industry, including British Alcan. Measures to return to profitability are having success, but it is difficult to see a return to the profit levels experienced in 1987 and 1988 without a significant upturn in economic activity and aluminium prices."

The workforce fell from 9,511 to 8,244 last year. When the group was formed in 1982 by a merger of British Aluminium and Alcan Aluminium it employed 14,000.

Turnover rose to £756m (£731m) while aluminium sales volumes were up by 15 per cent to 333,400 tonnes. Export sales advanced by 20 per cent to £275m.

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Vauxhall record result bucks trend

By Kevin Done, Motor Industry Correspondent

VAUXHALL, the UK subsidiary of General Motors of the US, more than doubled 1992 operating profits from £128.4m to a record £269.1m.

The result was achieved despite the deep recession in the UK new vehicle market and when Ford of Britain and Rover suffered continuing losses and Peugeot Tal-

bot's pre-tax profits fell by 80

COMPANY NEWS: UK

APV dips to £21m and warns on first six months

By Andrew Bolger

Shares in APV fell 11p to 101p after the food processing specialist announced a drop in profits and warned that pressure on prices would affect its results for the first half of this year.

Pre-tax profits fell from £26.7m to £21.1m in the year to December 31, on sales up by 5.4 per cent to £247m. APV sells about 80 per cent of its products overseas and suffered from generally poor economic conditions worldwide.

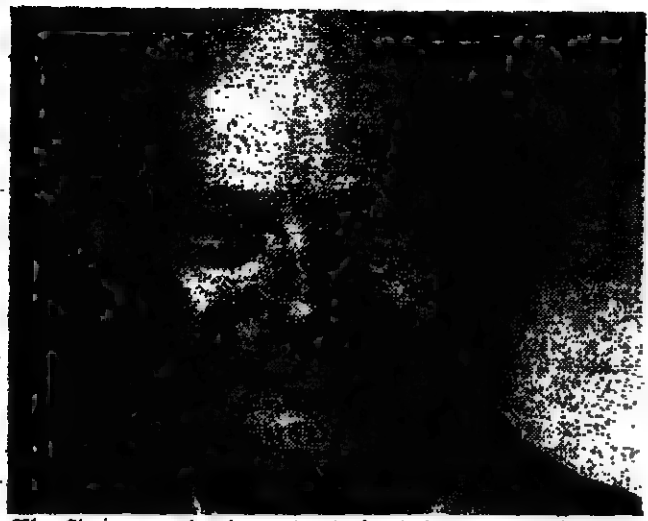
The profit figure was depressed by an exceptional charge of £6.3m. The net profit on disposal of discontinued operations, less amounts provided for losses on operations to be discontinued, was £13.7m. In addition, £20m was charged in respect of ongoing business reorganisations.

Mr Clive Strowger, appointed chief executive in June, has started extensive restructuring to focus the group and increase profit margins. The balance sheet was strengthened by the £56m sale of Vent-Axia, its food and drink division, to Smiths Industries in December.

APV's workforce fell by 1,000 to 11,600 at the year end, not counting the 400 employees who moved with Vent-Axia. That disposal and reductions in working capital helped cut gearing from 42 to 12 per cent.

Mr Strowger said the group had been reorganised to align its businesses more closely with customers and markets. It would also seek to broaden its customer base more towards industrial sectors.

Str Peter Cazalet, chairman,



Clive Strowger: extensive restructuring to increase margins

said: "We enter 1993 with orders 8.3 per cent lower than a year ago but the board is confident that good progress is being made with repositioning the group for future profitable growth."

In spite of a drop in earnings per share from 5.4p to 3.4p, the final dividend is held at 3.4p to maintain the total at 6.4p.

COMMENT

The new management team have a big job on their hands, but seem to be setting about it with a will. APV made a lot of acquisitions in the eighties, but did little to integrate the businesses - or even impose uniform financial reporting. In spite of strong market positions and sales, the group has seen profits melt away as recession increased pressure

Community Hospitals downturn

By Peggy Hollinger

INTEREST charges depressed pre-tax profits at Community Hospitals Group, the private hospital and nursing home company, from £2.68m to £1.86m for the six months to December 31.

Mr Alan Dexter, chief executive, blamed the conjunction of two events: the completion of two large developments resulting in higher interest and a fall in hospital revenues.

Completion of the developments resulted in a charge to the profit and loss account of previously capitalised interest. Charges were £865,000, against a previous gain of £184,500.

In January the group spent £5m to acquire three nursing homes.

The "best view" of profits for the full year showed a range of £6m to £6.5m, against £6.8m in 1992.

The continuing care division raised operating profits from £540,000 to £660,000 in the first half while the hospital division reported static profits at £2.1m. Group turnover was £22.6m (£19.3m).

The interim dividend is maintained at 2.4p, payable from earnings of 4.3p (6.3p) per share.

Wm Morrison up 34% and looks south

By Neil Buckley

WM MORRISON Supermarkets, the Bradford-based grocery retailer, yesterday announced a 34 per cent rise in pre-tax profits to £83.8m and indicated that it might expand southwards.

Mr Martin Ackroyd, finance director, said the company, which has 69 supermarkets in northern England, was searching for a new warehouse which could service its existing outlets, but also allow Morrison to widen its trading area.

"We are unlikely to go further north, and that means we are interested in going further south."

The southwards move would be limited at first, but in later years expansion plans were

limited only "to the mainland." Pre-tax profits for the year to January 30 rose from £62.6m to £83.8m, on turnover up 18 per cent to £1.32bn (£1.12bn).

Like-for-like sales increased 4.6 per cent, and the net operating margin improved from 6.1 per cent to 6.4 per cent for the year, in spite of a fall to 5.8 per cent at the interim stage.

Profits were also boosted by interest received of £3.9m, against a £3.8m charge previously, thanks to the £88m rights issue in November 1991.

Earnings increased to 7.23p (6.18p) fully diluted and 7.71p (6.59p) basic. The increased final dividend of 0.54p raises the total to 0.8p (0.67p).

Mr Ackroyd said staff costs and overheads rose broadly in line with sales, but the deprec-

iation charge increased £5.2m to £21.5m.

Some £1.1m of the increase was accounted for by the policy, adopted last May, of depreciating freehold land assets.

This recognised that the alternative use value of sites might be much less than their food retailing value.

Morrison, recently named top-performing company by the Institute of Directors, opened six supermarkets last year at Beverley, Walsall, Mansfield, Oldham, Kendal and Lincoln.

It is adding new space as a percentage of its total selling area at a faster rate than any of its bigger national rivals.

COMMENT

The news that Morrison may move south is cause for alarm

for the bigger national chains. The company's refusal to pay more than a fraction of what its competitors hand over for new sites has allowed it to match them in its service and merchandising range, but undercut them in price. It also allowed the company to expand its sales base last year by 12 per cent, with only a £2m cash outflow. A resurgent Asda, which has a similar selling proposition and competes in the same areas, could be a threat, but Morrison has scope to reduce prices further if necessary. With current-year profits forecast at about £100m, the shares are on a prospective multiple of 18.3 - a big premium to the sector, but Morrison offers the fastest profit growth.

Pittard hit by higher sheepskin prices

By Peggy Hollinger

SHARPLY HIGHER sheepskin prices hit profits at Pittard Garment, the leather company, which yesterday reported a 16 per cent drop at the pre-tax level to £1.78m for the year to December 31.

Mr David McDonald, chairman, said the price of sheepskins had almost doubled between September and December. This was partly due to the effects of devaluation, which made UK sheepskin more attractive to foreign buyers, consequently driving up the price. He said, however,

there would be a benefit from devaluation in the current year.

Sales in the year fell just 1 per cent to £96.8m. However, after the disposal or closure of the fallmongery and tanning businesses, continuing operations showed a 5 per cent growth in turnover.

Having warned at the interim stage that trading would be difficult, Mr McDonald said second half profits had been "a disappointing setback".

The clothing and chamois division had suffered operating losses of about £900,000 amid weak demand. Nevertheless, Pittard

was committed to this division in the long-term, he said.

The gloving division increased sales and operating profits by 10 per cent on the back of better overseas sales.

The shoe and leather goods operation showed a 25 per cent increase in profit, although Mr McDonald said 1991 had been depressed by losses from the tanning business, now closed. On a comparable basis profits were maintained at similar levels.

The final dividend is held at 1.5p, for a total of 2p (1.5p). Earnings fell from 6.4p to 4.7p per share.

Woodchester declines to £35m despite purchases

By Tim Cooney in Dublin

THE RECESSION in the UK and last autumn's ERM crisis were the principal causes of an 11 per cent fall in 1992 pre-tax profits from £38.6m to £35.4m (£35.6m) at Woodchester Investments, the Dublin-based leasing and banking group.

The results were in line with market expectations for the company, in which Credit Lyonnais has a 48.7 per cent holding.

Over the year the asset base rose 26 per cent to £1.4bn (£1.12bn) and the deposit base 95 per cent to £571m, largely as a result of the March 1992 acquisition of UDT First Southern Bank.

Analysts estimated that bad debt provisions have only marginally risen from £115m to about £117.5m, a far better performance, they say, than many leasing companies in the UK, which have been badly hit by recession.

An estimated £2.8m was incurred in hedging costs during the last quarter as short-term interest rates soared during the ERM crisis

and the punt came under pressure following sterling's devaluation.

The funding base comes largely from corporate deposits at one-month rates, while the group had hedged at longer rates of three and six months, analysts say.

A similar loss is estimated for the first part of 1993, before the crisis ended with the punt's devaluation.

Earnings per share were 15.1p, compared with 17p last time.

A final dividend of 2.69p (2.94p) is recommended for a total increased from 3.75p to 4.8p.

Trafford Park rises

Trafford Park Estates, the property group, improved pre-tax profits from £1.82m to £1.74m in the half year to December 31 1992. Turnover declined to £4.87m against £4.95m.

Earnings per share amounted to 1.72p (1.87p) and the interim dividend is held at 0.85p.

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Notice is hereby given that the 110th Annual General Meeting of the Company will be held within the Head Office, 12 North St. David Street, Edinburgh on Tuesday 20th April 1993 at 12.30pm. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. The proxy must also be a member of the Company. There are no contracts of service between the Company and any Director.

Chief Executive & Secretary
A copy of the Annual Report and Accounts will be sent to any policyholder on request or may be obtained from any office of the Company.

Scottish Life

1993 MARCH

Monday, 15th
Dealings commence in the new UK stock market.
Issued by WPP in its £88 million IPO.
Underwritten by Samuel Montagu.

Tuesday, 16th
Owners Abroad, advised by Samuel Montagu, succeeds in its defence against Airtoirs' unwelcome £300 million takeover bid.

Wednesday, 17th
McDonnell Douglas Information Systems completes its management buyout from McDonnell Douglas Corporation. Samuel Montagu acted as lead manager of the senior debt and co-lead manager of the mezzanine debt.

Thursday, 18th
Delta plc mandates Samuel Montagu to arrange £50 million revolving credit facility.

Friday, 19th
Severn Trent Water, advised by Samuel Montagu, declares its £33 million offers for East Worcester Water wholly unconditional.

As 1993 unfolds there's one merchant bank that's keeping busy providing creative advice and financing to meet clients' specific objectives.

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COMPANY NEWS: UK

John Laing recovers to £11.6m

By Andrew Taylor,
Construction Correspondent

DESPITE A £21.4m provision and poor trading conditions in the UK housing and construction markets, John Laing bounced back into the black last year.

Pre-tax profits of £11.6m compared with a £55.3m loss in 1991 when write-downs were even higher at £57.8m.

Operating profits rose 41 per cent to £30.1m (£21.4m) despite a fall in sales to £1.27bn (£1.59bn).

A maintained final dividend of 6p makes a same-day total for the year of 9p, just covered by earnings of 9.44p (losses of 57.4p).

The shares dipped 3p to 235p on concern that the good results from the UK contracting division were unlikely to be repeated in the current year.

Construction profits rose from £21.3m to £25.1m despite a 24 per cent fall in divisional turnover to £1.08bn (£1.42bn).

Mr Martin Laing, chairman, said the group had benefited from payments for higher margin contracts won before the



Martin Laing: rise of 35 per cent in net reservations

UK construction market became more difficult. These included payments for work on the new Sizewell power station in Suffolk.

Overseas construction profits, mostly from the Middle East and south-east Asia, rose from £2m to £5m on increased

turnover of £40m (£30m).

Housing operations also returned to profit, with £4.5m after a £2.8m loss in 1991. The improvement was due to an increase in the number of homes sold, from 1,670 units to 2,175 units in the UK, and better margins following previous

land write-downs and as more expensive land bought in the late 1980s has been used up.

Mr Laing said the company had seen a 35 per cent rise in net reservations in the first three months of this year compared with the corresponding period last year. Margins and selling prices, however, remained weak.

COMMENT

Contracting profits are likely to more than halve this year as the UK construction cycle moves against this group and as order books have fallen.

Laing, however, should benefit from rationalisation following a 25 per cent reduction in staff in the construction division. Margins on contracts remain better than most UK builders and civil engineers can boast.

Housing profits should be at least as good as in 1992 and could be better if the market continues to improve and prices start to harden. Profits of £17m would put the company on a prospective p/e of more than 16. On this evidence it remains one of the best contractors around but in a weak construction market.

Domino shares fall 44p on warning

By Catherine Millon

THE SHARE price of Domino Printing Sciences, a manufacturer of ink-jet printers, yesterday fell 44p to 562p as the company issued a warning about its interim profits.

It said sales growth had been insufficient to cover the cost of investment, mainly in the US.

Mr Howard Whitesmith, managing director, said operating costs in the six months to end-April 1993 would exceed operating costs of £12.5m in the second half of 1992.

He said, however, that profits would recover by the year end.

However, "unexpectedly slow" sales in the US in the first three months and sluggish business in Germany and the Netherlands meant sales would not outweigh "planned investments".

Domino's share price has climbed 53 per cent over the past year. Gearing at the October 31 year end was 3.32 per cent and the net asset value was £48.2m.

The group reported pre-tax profits of £11.5m on turnover of £71.6m in 1991-92 with profits for the half year ahead 53 per cent at £4.54m.

Linx Printing Technologies, a smaller competitor in the industry, confirmed the increasing value of markets outside the US and Europe. It said sales within that area had more than doubled in the six months to end-December 1992.

The warning comes against a background of analysts' fears that growth will slow significantly in the industry because of a loss of the impetus generated in the 1980s by changes in EC consumer laws on such matters as self-bill dates.

Dalepak shares fall 24% on profits warning

By Maggie Urry

Dalepak Foods, the frozen foods and ready meals group, yesterday warned that trading conditions had worsened since its interim results in January. The shares fell from 364p to 267p.

Even in January the company was expecting full-year profits to be down. Interim pre-tax profits fell from £1.7m to £1.1m.

Yesterday it said profits would be "significantly below market expectations" and analysts are now looking for profits of about £2.5m compared with £3.9m in the year to end-April 1992.

Mr Chris Ivory, chief executive, said there had been "further substantial increases in the cost of raw materials, especially beef." Beef prices were up by 25 per cent on a year ago and by 15 per cent since January.

He said price increases were not being fully passed on to supermarkets. Margins were squeezed as trading volumes were low and supermarkets concentrated on price promotions and lower priced foods.

However, Mr Ivory said the balance sheet was strong and Dalepak expected to maintain its total dividend at 6p for the year to April. The group said it remained confident about long-term prospects.

Second-half drive helps Henlys cut loss by £6m

By Jane Fuller

HENLYS GROUP, the car and bus business which last summer escaped a hostile £32m bid from its rival T Cowie, reduced pre-tax losses by £6m to £248,000 over 1992.

After losing nearly £900,000 in the first half, the group fulfilled its half-defence promise that it would break even in the second half.

It also carried out its plan to pay an unchanged dividend of 3p by maintaining the 2p final.

This was in spite of losses per share of 4.3p (16.7p).

Henlys, which did not report under the new FRS 3 accounting rules, took an extraordinary

charge of £1.23m mainly for defence costs. Cowie retains a 9.9 per cent stake.

At the operating level the group advanced to a £3.8m profit (£556,000) on turnover of £331.1m (£334.4m). This included £1.04m in fees for management consultants.

Exceptional costs were cut by nearly £2m to £50,000, which related to teething problems on new bus and coach ranges at the Scarborough factory.

The Plaxton coach and bus division has been the source of the group's problems. Last year the division cut operating losses to £1.97m (£2.95m) on sales of £66.9m (£63.4m).

Mr Robert Wood, chief executive, said the UK market for luxury coaches had declined from 1.4m in 1989 to 800,000 last year. The group had been left with £32m of unsold vehicles when the market collapsed in 1990.

After closures and other cuts which would reduce annual costs by £5m, the division was expected to return to profit this year.

Motor retail pushed up operating profit to £5.8m (£3.5m) with the help of acquisitions. The group represented 14 manufacturers on 24 sites.

Net debt fell by £4m to £26.4m, gearing of 56 per cent, after an inflow of £2.5m from disposals.

Property profit helps to keep Appleyard £1.7m in the black

By Jane Fuller

PROFITS OF £2.4m on a property deal and the sale of spare advanced corporation tax capacity kept Appleyard Group, the motor dealer, in the black last year when pre-tax profit slipped from £1.81m to £1.71m.

The group halved its final dividend to 4.5p, making a total of 5.2p (7.8p), which was not covered by earnings of 2.5p (2.5p).

After dipping into reserves for the second year running, the retained loss was £1.27m (£2.49m).

Turnover fell to £305m (£290m) reflecting the sale of

Ford dealerships and petrol stations in 1991.

Mr John Atkin, business development director, said ongoing sales were slightly down.

Operating profit declined to £3.43m (£5.61m) including property profits of £1.87m (£1.56m).

Mr Atkin, bought for £18.3m in 1989, incurred losses.

Mr Atkin said it had run out of VW Golf sales in August, the crucial selling month. He blamed the importer, which was then Lounor. The manufacturer has since bought out the agreement.

Skelly's large sites had also been particularly vulnerable to

recession. A hundred jobs had been shed and other overheads cut.

The car leasing unit venture with Barclays Bank contributed £1.9m (£530,000), although this included £1.01m from the sale of spare ACT capacity.

Net debt fell to £12.5m (£14.1m) and interest costs, came down to £3.61m (£4.54m). The group also has off balance sheet borrowings in the leasing joint venture.

Appleyard also announced the acquisition of a Mercedes-Benz dealership in Reading for £2.3m. This would be paid for by a £4.5m sale and leaseback deal on sites at Gatershead and Oxford.

BAA sells electrical distribution networks

By Paul Betts,
Aerospace Correspondent

BAA, the privatised British airports operator, has sold for £50m the electrical distribution networks of its three London airports, Heathrow, Gatwick and Stansted, to London Electricity.

The sale is part of BAA's strategy of concentrating on its core airport skills. Sir John Egan, the chief executive,

said yesterday. The transaction will not have any material effect on BAA's trading profits, but the company said it would significantly improve its debt position and help in the funding of large capital projects.

BAA recently filed a planning application for the construction of a fifth terminal at Heathrow expected to cost between £800m and £900m.

Under the terms of the sale,

London Electricity will acquire the high and low voltage electricity distribution cables and associated electrical equipment of the three airports.

The utility will also take over responsibility for the operation and maintenance of the systems in return for an annual fee which has been set at £13.5m for the first year. The fee will increase in future years depending on inflation and demand.

BAA said it had invited its staff who currently run the networks to become employees of London Electricity.

The airport operator also added that its customers, including airlines, baggage handling companies and retailers, will not be affected by the change of ownership. They would not face any increase in their electricity charges and would continue to buy their electricity through BAA.

NEWS DIGEST

Increased deficit at Oliver

THE OLIVER Group, the footwear retailer, reported increased pre-tax losses of £12.6m for 1992, compared with £10.7m. Turnover fell from £84.9m to £82.1m.

There was an exceptional charge of £6.92m (£5.29m), including reorganisation and revaluation costs. Losses per share came out at 49.27p (38.43p).

Action taken to dispose of loss-making shops and to cut costs contributed to achieving break-even trading in the second half with sales improving significantly in the final quarter.

Bensons Crisps

Although second-half profits were marginally better than last time, Bensons Crisps recorded halved pre-tax results of £500,000 in the year ended November 30.

However, sales of this USM-quoted maker of snack foods rose by 26 per cent to £33.2m, reflecting both organic growth and the first full year of the retail van sales division formed by a series of acquisitions.

Earnings per share were 5p (9.8p) and the recommended final dividend is again 2.15p for an unchanged total of 2.55p.

LGW

LGW, the USM-quoted marketing services and luxury goods group, continued the progress seen in the first six months to report 1992 pre-tax profits of

£232,000, against £77,000. The company said that it had made a promising start to the present year.

Turnover improved slightly to £19.5m (£13.5m). Earnings per share were 10.2p (0.8p). A final dividend of 1.87p is recommended for a total of 3p.

John Maunders

With turnover down 6 per cent at £25.2m, pre-tax profits of John Maunders Group, the housebuilder, fell sharply from £2.19m to £1.46m in the six months to December 31.

Earnings per share were 3.89p (5.97p) and the interim dividend is maintained at 2.3p. Gearing at the half year stood at 38.7 per cent (23.5 per cent).

Murray Ventures

At the end of the six months to January 31 net asset value at Murray Ventures climbed back to 315p against 286.2p at the end of the previous 12 months and 315.5p in the comparable first half.

An unchanged interim dividend of 3.4p is payable on earnings per share of 6.97p (5p).

FW Thorpe

The start-up costs of Compact Lighting left interim pre-tax profits at FW Thorpe, the lighting equipment company, down at £402,000, against £630,000. Turnover for the six months to December 31 rose from £5.93m to £7.54m.

Earnings per share came out at 2.11p (3.4p) and the interim dividend is unchanged at 0.5p.

Beradin

Beradin Holdings, the rubber and palm oil producer, doubled its dividend to 1.1p after

reporting a jump in 1992 pre-tax profits from £231,660 to £476,175.

The company said that average palm oil prices during the year were about 15 per cent above 1991 levels and business had continued into 1993.

Sales advanced to £1.02m (£617,556) and estate profit rose to £210,671 (£214,323). Earnings per share came through at 1.89p (0.74p).

Sheldon Jones

Sheldon Jones, the USM-quoted pet foods and garden and timber products distributor, cut its loss from £912,000 to £764,000 in the six months to December 31. Turnover was higher at £6.55m, against £6.29m.

The figures have been prepared in accord with FRS 3. Last year's reported pre-tax loss was £953,000.

Losses per share came out at 14.77p (16.41p).

Sphere Inv Trust

Sphere Investment Trust reported net assets per zero dividend share up 13 per cent from 66.7p to 75.8p at the end of 1992, and a 17 per cent rise from 20.9p to 24.4p per income share.

Net available earnings increased from £4.28m to £4.75m, representing 3.92p (3.53p) per share. A total dividend of 3.1p (3.87p) has already been paid for 1992 and this is expected to be at least maintained this year.

Cornhill Insurance

Cornhill Insurance, the UK offshoot of Allianz, returned to the black in 1992 reflecting reduced underwriting losses.

Pre-tax profits amounted to £3.1m, against an "unprece-

dent" loss last time of £39.5m. The solvency ratio, on a market value basis, rose to 46.1 per cent (39.2 per cent).

Premium income from general business jumped to £519.5m (£355.5m) with underwriting losses down from £102.1m to £66.2m. Overall, general business recorded profits of £200,000 against losses of £27.9m.

P&P/Merisel

P&P has announced an agreement with Merisel (UK) covering the disposal of its high volume, low margin distribution business, P&P Distribution.

The agreement includes the transfer of stocks and sales related information, along with assistance in transferring certain supplier distribution franchises from P&P to Merisel.

Ragian Property

Ragian Property Trust has announced proposals for a capital restructuring which involves raising £7m of new equity and the conversion of £3.05m of debt to equity by principal creditors. Remaining debt will be paid from the proceeds of the share issue.

Under the restructuring each share will be divided into one ordinary share of 0.01p and one deferred share of 0.99p. Every 100 resulting ordinary shares will be consolidated into one ordinary 1p share. The deferred shares and the company's share premium account will be cancelled.

The £7m of new equity will be raised through the issue of 700m new 1p shares.

The offer, through NM Rothschild, will involve up to 233m shares on the basis of 1.3257 new shares for every existing share.

RECORD ANNIVERSARY YEAR FOR BIWATER

The 28th of March, 1993 marks the twenty-fifth anniversary of the founding of Biwater. I am pleased to report that as the company approached this milestone a third consecutive year of record profits was achieved. Our 1992 full year profit before tax of £16.5m is a 10% increase on the year ended 31st December 1991.

■ Biwater has strengthened its position in world markets by keeping a tight control on costs, while ensuring a clear market focus for its operations. These moves have helped the majority of the Group to avoid the worst effects of the recession, the notable exception being our companies in the civil engineering field.

■ A wide ranging restructuring was initiated during 1992 that consolidated our operations into four clearly defined, market-led groups, namely: Biwater Europe, Biwater International, Biwater Industries and Biwater Supply (Holdings).

■ Contracting opportunities are progressing well in Africa, Central and South America and South East Asia. Many of these opportunities exploit our considerable Operations and Maintenance expertise.

■ Our UK manufacturing operations export to over 30 countries.

■ The offer for East Worcester Water Plc by Severn Trent Water Limited was declared wholly unconditional earlier this month. We will receive £28m in respect of our controlling interest. This will give greater impetus to our investment strategy.

Adrian E White, CBE
Chairman

Biwater

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Malaysia

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BANGLADESH

Friday March 26 1993

Still on probation with the big lenders; mixed climate for investment: Page 3

Survivors of the hurricanes rebuild their lives; jute growers' dilemmas: Page 4

Bangladesh, one of the world's most aid-dependent democracies, has been meeting economic targets set by the international lenders. But it has a long way to go to alleviate its people's poverty and to revitalise its inefficient state industries, writes Khozem Merchant

Poverty and democracy

TWO years after its first free elections, Bangladesh's fragile transition to democracy is holding firm. Prime minister Khaleda Zia, the country's first democratically-elected ruler, can boast substantial progress in economic reforms and, after three bumper crops, near self-sufficiency in foodgrains.

Though this represents a remarkable turnaround for Bangladesh, half its 118m population still lives in poverty. Mrs Zia, widow of soldier-president Zia-ur-Rahman whose assassination in 1981 forced her into the political arena, can point to some notable achievements.

First is the transition to parliamentary democracy after more than 20 years of military rule. The army, says Talukder Maniruzzaman, a political scientist at Dhaka university, is unlikely to attempt to seize back the power it lost in 1990 when General Hossain Ershad was forced to resign following student demonstrations and opposition pressure.

Second, the government, buoyed by higher tax revenues, is making a larger contribution to its annual development programme for capital projects. For years the programme has largely been paid for by foreign aid because of a lack of local funds. This year, the government hopes to make a 27 per cent contribution to the Taka 88.5bn (£1.48bn) programme.

Bangladesh is one of the most heavily aid-dependent economies in the world. It receives annually the equivalent of some 7-8 per cent of gross domestic product in foreign aid. Bangladesh has been pledged about \$29bn in aid since independence. Insufficient matching funds and long civil service delays have continuously hampered disbursement of aid. In December alone six ministries were unable to disburse \$34.31m; \$5.5bn has accumulated in the aid pipeline waiting to be spent.

In April donors meet in Paris to decide commitments for the next 12 months. Pledges for 1993-94 are unlikely to equal last year's \$2.2bn.

The government faces strain on several fronts. Its biggest concern is that the economy is not growing fast enough to alleviate poverty. It has fulfilled most macro-economic targets set by the International Monetary Fund and last year achieved 3.6 per cent growth in GDP. Annual inflation is 5.0 per cent, down from 7.3 in the previous year; narrow money growth has been contained to less than 14 per cent; state spending has been curbed; the current account deficit is down and foreign reserves have reached a record \$2bn, enough to cover seven months of imports.

However, according to the World Bank, with population



People of the River Brahmaputra: in need of more protection against the mighty forces of nature (see: Glyn Gwin)

growth now curbed to 2.4 per cent, a minimum of 5.5 per cent GDP increase is needed to improve the lot of the 50m living in absolute poverty - defined by the Bank as those consuming less than 1,800 calories a day. In the capital, Dhaka, the population rise is 8 per cent a year because of an influx of people seeking work.

The reform package has also included a cut in the fiscal deficit, measures to boost foreign investment such as allowing overseas companies to hold 100 per cent equity in a local subsidiary and attempts to reduce the size of the public sector.

However, the government is encountering political opposition to its World Bank-designed reforms to revive over-manned and indebted industries such as jute.

But he faces criticism from Bangladeshi commentators that he answers only to a constituency in Washington.

Equally angry are the unions which still exert a powerful disruptive influence. Bangladesh has a poor industrial relations record, and the frequent strikes seriously harm business. Unions are stepping up their campaign to protect jobs but the government is resisting wage demands which it says threaten reform.

The bureaucracy, a traditionally privileged class, is responsible for implementing the reforms. However, it feels that its own interests are threatened and opposes the general thrust of the policy. It has a tendency to obstruct their introduction, for example by delaying decision-making.

Unemployment is also rising. Some 10m are officially out of work, including an increasing number of educated young. About 1.5m people come up to

the job market each year.

Mrs Zia is trying to address these and other economic issues. In part this is for her; she must maintain the momentum of reform sell the World Bank package the people. Discipline and efficiency is what she has been at in recent speeches. "I must work harder and increase productivity," she says.

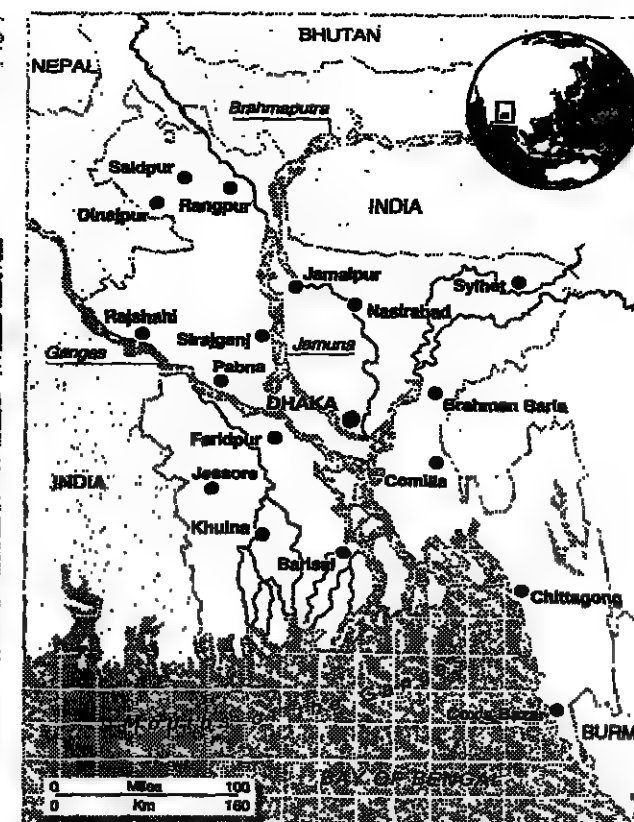
Such effort has already borne fruit in the performance of agriculture, which contributes 38 per cent to GDP and from which 58 per cent of the population earns its living. Measures such as the withdrawal of fertiliser subsidies, the privatisation of fertiliser distribution, the introduction of wells and the irrigation have helped boost agricultural output and efficiency.

For the first time in 30 years, Bangladesh is sufficient in rice. Bumper crops have stabilised domestic prices.

Yet this policy has not been without its problems. The government's determination to boost foodgrain production has adversely affected cropping patterns. More than 80 per cent of land is allocated to rice, and overall cereal crop production accounts for 80 per cent of total income from agriculture. The cultivation of pulses is a casualty. It is often displaced by a winter rice or wheat crop. Pulses have traditionally been a source of cheap protein.

In addition to the success in agriculture, the private sector can boast several accomplishments. The garments sector now employs 738,000 and last year earned \$1.5bn in exports, about double the level in 1988.

Grameen Bank, an innovative bank founded by Mr Mohammed Yunus, has won praise around the world, including an endorsement from President Bill Clinton. Grameen lends more than \$25m a year mostly to poor rural



women. It recovers more than 66 per cent of its lending.

This is in contrast to the nationalised commercial banks. In the 1980s, these banks made big loans to industry. The result is an accumulation of \$2.1bn in bad debts, about 38 per cent of total outstanding loans. The government is overhauling state-owned banks ahead of their privatisation and strengthening the central bank's supervisory powers. Reform, now in its second year, is under way.

The same cannot be said of the government's infrastructure project to reduce the impact of floods. A five-year (1990-95) Flood Action Plan (FAP) was prepared by the World Bank and presented to Bangladesh's main donors in 1988. The plan envisages the construction of embankments to control three of the world's largest rivers, the Ganga, Brahmaputra and Meghna.

FAP is widely opposed by local economists and environmentalists who say embankments are too expensive and inappropriate for Bangladesh. If FAP goes ahead it would be Bangladesh's biggest single civil engineering project. But its implementation would pose a huge challenge for a civil administration already under pressure. There is increasing disquiet that the government has failed to improve the quality of public administration. Woeful lack of co-ordination between ministries and an inexperienced cabinet have inspired complaints about a rudderless government.

Yet the prime minister confidently talks of renewing her mandate with the people. "I am confident of winning another term [in 1996]," she says.

Mrs Zia is popularly known by the Bengali nickname of *papai*, which means doll or puppet. But she is clearly determined to prove that she is not anyone's puppet.

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BANGLADESH 2

Khozem Merchant tries the rivalry between the two women who dominate the political arena

Pointscoring in a democratic consensus

A TRADITIONAL Ifar party earlier this month - celebrating the end of the day's Ramadan fast - became a game of political pointscore. The winner was Khaleda Zia, the prime minister. Against all expectations, Mrs Zia attended the party hosted by her arch rival Sheikh Hasina, leader of the opposition Awami League.

The local press described Mrs Zia's move as a victory of statesmanship over petty-mindedness, an act it hoped would help to reconcile the two. For 18 months they had spurned each other's invitations, issued more out of political nicety than affection. "From my side I have no rivalry [with her], I do not know about her," says the prime minister.

However, genuine reconciliation may be a long way off. The two leaders dominate their parties and domestic politics. The tendency, according to a western diplomat, is for the opposition to be preoccupied with Mrs Hasina's personal battles and for the government to be constantly on the defensive and unable to define a clear strategy for the future.

Mrs Zia and Mrs Hasina

entered politics as standard bearers respectively for their murdered husband (President Zia ur Rahman) and father (Sheikh Mujib ur Rahman, who led the struggle for an independent Bangladesh).

"Both the women hark back to the events surrounding the creation of the state 22 years ago," says a foreign diplomat. Mrs Hasina, for instance, is determined to repeal the indemnity given to her father's killers.

It is these historical issues which divide the ruling Bangladesh National Party and the Awami League. Their aggressive partisanship hinders consensus on pressing problems, such as the economy on which the two parties claim common ground.

Though Mrs Zia continues to invoke the spirit of her husband, recalling for instance his "19-point economic plan" - a vague strategy which lacked

substance - she insists she is her own person. "I am different personality [than] husband] and developed policies during nine years of the autocratic Ershad regime."

General Hossain had, who seized power in 1982, resigned in December 1990 in the face of opposition protests and student demonstrations. Mr Ershad was arrested and tried on charges of illegal possession of arms and abuse of power. He was sentenced to years' imprisonment. Mrs Zia came to power after winning the country's first free elections in February 1991.

The prime minister is trying to escape the past. In recent months she has toured rural areas, addressing crowds of up to 500,000. "She is trying to shift the political ground. She is raising very important issues such as poverty, education and illiteracy at a critical time," says Talukder Maniruzzaman, a political scientist at Dhaka university.



Prime Minister Khaleda Zia: struggling to escape the past



Awami League's Sheikh Hasina: daughter of the founding father

aman, a political scientist at Dhaka university. With the government under intense pressure to implement

a tough World Bank programme, Mrs Zia needs to sell it to the people. Her speeches in the countryside are also

enabling her to widen her political support. Urban critics have always accused her of being out of touch with the people because of her "cantorment culture", a reference to her life in the barracks as the wife of a soldier.

However, as Professor Maniruzzaman says: "The government is drifting. She has not been spectacularly successful but she sets the tone of government. There is a logic in her approach. Her intentions are good. She emphasises development."

The sense of drift is partly explained by inexperience. Only five of her 40-member cabinet had ministerial experience when appointed. Few capable candidates are waiting in the wings. The majority of the 1981 parliamentary intake were political novices, newly-rich businessmen. In any case, the prime minister is loyal to her friends.

Her real accomplishment has been to sustain the momentum behind the transition to democracy. The press speaks its mind and the Jatiya Sangsad, the parliament, though lacking some of the sharper skills of democratic politics, functions well. Both main parties are committed to parliamentary democracy. Nobody is knocking at the army's door.

The army is content. Its refusal to bail out General Ershad was an important turning point for the military. Today, the army believes its interests are broadly served by Mrs Zia's brand of Bangladeshi nationalism and commitment to Islam.

Mrs Zia's other accomplishment has been to strengthen her position within the BNP. Among cabinet colleagues, she alone enjoys national support. Though some ministers, such as Mr Saifur Rahman at finance, are acknowledged to

be doing a good job, they scarcely represent a challenge to Mrs Zia.

Nor is she under threat from other traditional quarters. Students, who played a critical role in forcing Ershad's downfall, have been largely tamed.

The Jamaat-e-Islami, the radical Islamic party, enjoyed brief influence after the election by supporting the BNP and giving it an overall majority. But with the appointment of 30 nominated women members to parliament - most allied to the BNP - the parliamentary wing of the Islamic party has been sidelined. The Jamaat-e-Islami's influence is mostly confined to local politics where its powerful cadre and organisational strength ensures it a strong voice in by-elections.

The Awami League is seen by political observers as enfeebled, its attacks confined to personalities and rarely on issues of substance. The party lacks a coherent strategy and is internally divided. Sheikh Hasina needs to think afresh. She may start by revising the guest list for this week's Eid party marking the end of Ramadan.

Hard work and long hours make profits for the garment trade, says Khozem Merchant

From rag-trade to riches

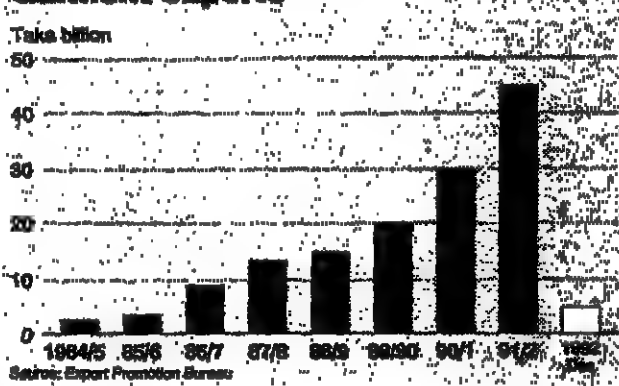
THE NewAge Enterprise factory in Dhaka is clean and well-ventilated, making it untypical of the 30 to 50 garment-making premises which open every month in Bangladesh.

But its success is typical of a sector so lucrative that some professors at Dhaka university have opened their own factories, a rare instance of academics practising what they preach. Retired generals and civil servants have found second careers in garments.

The garments industry runs against the grain of Bangladesh's manufacturing industry. It makes money; it is non-uniformed; there is no government interference; and it has a large and growing share of markets in Europe and the US; and, by employing largely women, it has redefined the "purdah culture" in a conservative Moslem country.

Most of the new factories are in back streets, with poor lighting and ventilation making for

Garment exports



Source: Export Promotion Bureau

a long and unrewarding day. These are operated by "get rich" entrepreneurs attracted by the prospect of having a plant up and running within four months. Typically, an investor can set up a medium-size factory employing about 500 women with just \$200,000 and generate turnover of \$2m within 12 months.

There are 1,435 garment fac-

ories in Bangladesh, which last year earned \$1.5bn in exports, up by 48 per cent on the previous year. Garments have grown from zero a decade ago to be the largest export earning sector. By quantity, Bangladesh is the seventh biggest garment exporter to the US and the 10th largest exporter to the EC.

Its importance to the domes-

tic economy is twofold. It is the only sector earning sizeable foreign exchange. And it employs some 738,000 people, of whom 85 per cent are women.

Mid women previously worked as housemaids or were unemployed.

According to the Bangladesh Garment Manufacturers & Exporters Association, in 40 per cent households where a wife is working in garments, she is the main income earner. "We have helped create a new and strong consumer spending group," says Mohammad Mosharraf Hossain, president of the association.

Some 1.5 square metres of property have been redeveloped as garment factories, with some 90 per cent of commercial road traffic between Dhaka and Chittagong, a main port, carries goods in the garment trade.

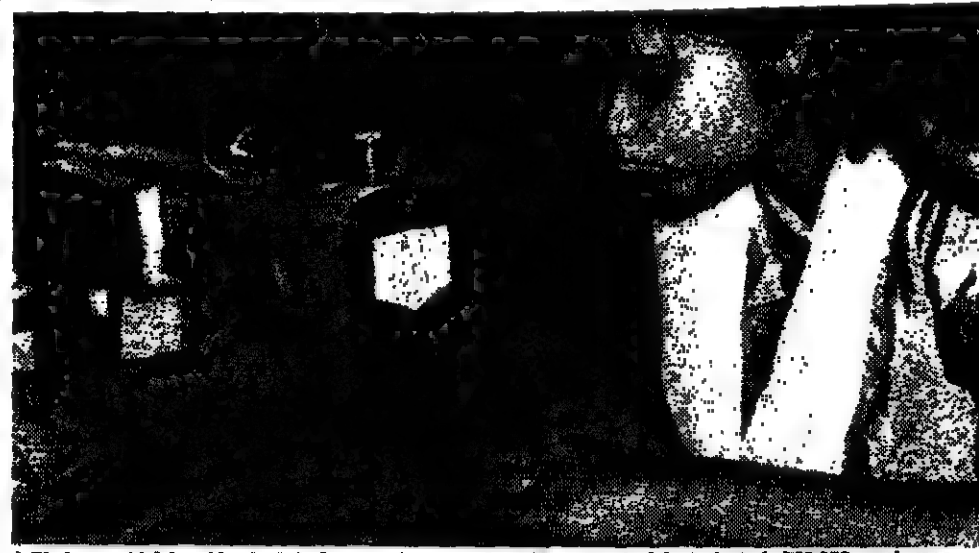
Two government policy

decisions set the industry on its feet and continue to help significantly: the introduction of back-to-back letters of credit (LCs), and the creation of bonded warehouses.

"With back-to-back LCs we do not have to turn to banks. It means, in effect, that our suppliers finance us through the issue of LCs, while bonded warehouses allow us to import materials free of duty if for export purposes," says Mr Abu Sayeed Quasem, chairman of NewAge Enterprise.

"We import about 75 per cent of textiles for our garments so these two factors are very important," he adds. The value added is mostly in the form of buttons, cartons, and thread; 80 per cent of these accessories are now met locally.

The next target is to increase the local value-added content by setting up textile plants in Bangladesh to serve garment factories. Some in the garment sector doubt whether local textile companies could meet



A Dhaka machinist making jackets for export: women form 85 per cent of the industry's 738,000 employees

the high quality standards demanded by western importers of Bangladeshi garments.

In addition, the investment required is substantial - at least \$30m to set up a "composite plant" encompassing garment and textile operations.

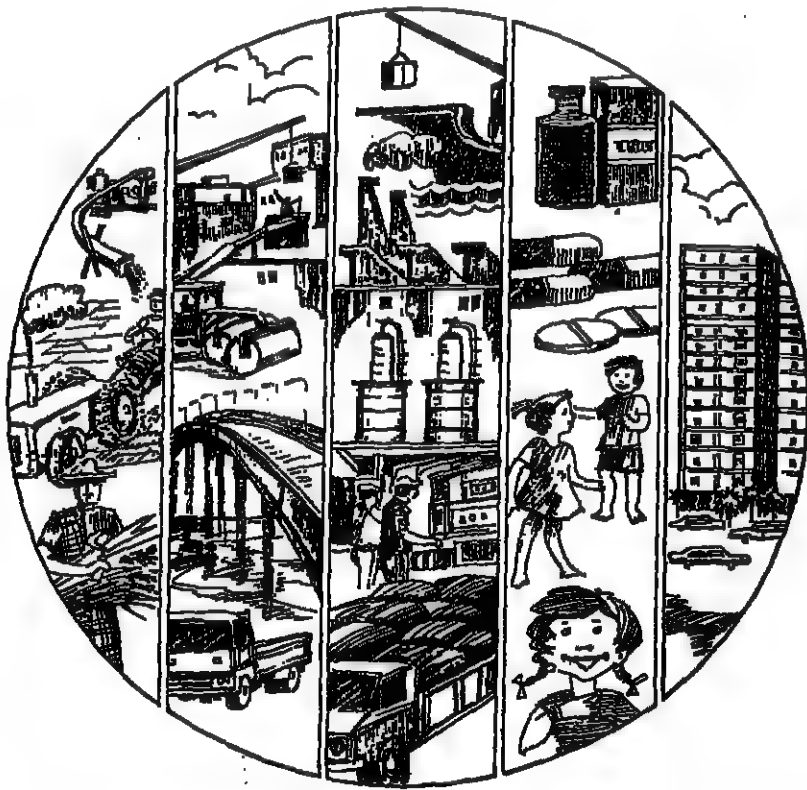
Even installing finishing and dyeing facilities would require between \$2m and \$3m. Bangladesh's appalling

industrial relations record is also a further handicap. Labour is cheap, but, when the cost of the endless one-day strikes and harkals (general strikes) is taken into account, local labour loses its comparative advantage.

The industry's growth could also be impeded by the failure of the Gatt to conclude the Uruguay Round trade liberalisation talks. Bangladesh is already

restricted by the Multi-Fibre Arrangement, which allows signatories to protect domestic industries by limiting through bilateral deals the volume of exports from mostly Third World economies.

Under any new Gatt regime MFA quotas would be phased out over a 10-year period. A successful outcome to the Gatt talks is vital for a less developed and trade-dependent economy such as Bangladesh.



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The economy is improving but the international masters remain dissatisfied, says Khozem Merchant

The people can only take so much

A DECADE ago Bangladesh was in trouble with its international creditors for failing to meet economic targets. Last year it exceeded most targets, but this was still not good enough.

The painful reality is that more still needs to be done before the invisible hands guiding the economy - the International Monetary Fund and the World Bank - can be withdrawn.

"I am in a predicament," says Mr Saifur Rahman, the finance minister who is credited by donors and the multi-lateral lending agencies with having achieved success so far.

"How far can I go in attaining the targets without threatening our fragile democracy?"

Surgery is being applied at two levels to the heavily-regulated economy.

Under its agreement with the IMF, Bangladesh is seeking to

liberalise trade, overhaul the tax and tariff regime and improve the balance of payments.

Mr Saifur has met all the targets laid down by the IMF: inflation is 5.0 per cent, down from 7.2 in the previous year; money supply growth has been contained to less than 14 per cent, largely as a result of low demand for loans in the private sector; government expenditure has been curbed; the current account deficit is down and foreign reserves are at a record high of \$2.2bn, though a large component of this is money from donors waiting to be spent.

Second, a World Bank reform package aims to improve the domestic competitive environment. This should be achieved by privatising state-owned industries. Most state industries are uncompetitive, have massive excess capacity, are over-manned and burdened with bad debt.

The jute sector, fattened by years of easy credit, crippled by plummeting world jute prices in the 1980s and now burdened with bad debts of \$250m, presents the government with its most formidable challenge.

Under the IMF's macro-programme the biggest success has been tax collection, which has risen by 10 per cent net of inflation well ahead of target. The finance minister's doggedness in achieving this has provoked criticism from a powerful business lobby in parliament (85 per cent of MPs are businessmen).

Better tax mobilisation has enabled the government to increase its contribution to the annual development programme, which covers capital projects and is largely financed by aid.

In 1989, the programme was wholly funded by donors. This year the government is aiming for a 27 per cent contribution, rising to 50 per cent in 1994-95. Higher tax revenues and tighter curbs on spending - high wage demands notwithstanding - have also enabled Mr Rahman to cut the fiscal

deficit from 8 per cent of GDP in 1988-89 to 5 per cent last year.

The big issue in the finance minister's next budget is how to get the revenue drive without squeezing spending, mostly jute. But the World Bank programme will pre-empt that test. Privatisation forms the core of the package.

"Our government is committed to this programme," says Mr Rahman. "We must reform, improve management, change obsolete equipment and make them competitive. It will take time," says Rahman.

Many believe taking too long. Two years ago 42 companies were listed by the government for privatisation but none of these plans has advanced.

"Privatisation should have been a classical to the private sector," the government says. But they have made use of it by trying to sell the best last," says an expert.

Three problems confront Mr Rahman in making his privatisation package stick: the jute sector, the sugar sector, and the textile sector. The jute sector is a "unilateral" culture. These debts are almost certainly written off as part of restructuring. The sugar sector is a "unilateral" culture. These debts are almost certainly written off as part of restructuring. The textile sector is a "unilateral" culture. These debts are almost certainly written off as part of restructuring.



Finance minister Rahman: how far can I go without turning democracy?

labour which fears massive job losses.

and the bureaucrats charged with implementing the programme have strong vested interests in stopping it.

It is the size of the bad debts in the jute industry - mostly to nationalised commercial banks - which is worrying the authorities. Failure to resolve this issue could torpedo banking sector reform, now at an

advanced stage. The World Bank is expected to announce a funding plan to carry out jute reforms by the summer.

"Then the pain will begin," said a local banker. Other sectors also carry large non-performing debt.

Unions, though not numerically significant within the total workforce of 50m, continue to exert a powerful disruptive effect. *Harjals* - or gen-

eral strikes - have a crippling effect on the economy. A local employers' group estimates the cost of a one-day *harjal* at \$10m in lost production and distribution.

Last week Skop, an umbrella organisation of labour groups covering textiles, jute, railway and others, staged a two-day *harjal* to demand a minimum wage and the implementation of a wages commission recommendation.

The World Bank publicly denounced Skop's demands as unjustifiable. The finance minister accused them of "economic terrorism".

Finally, the bureaucracy, which is charged with enforcing this state self-off is widely seen as incompetent and corrupt and a significant drag on any implementation.

"There have to be more sacrifices from these interest groups: labour, civil servants and all the sick industries which for years have been supported by protectionism and subsidies. Things have got to change," says a local commentator.

Privatisation's only real success story has been in agriculture, which represents 38 per cent of GDP.

It has improved in terms of output and efficiency following the withdrawal of fertiliser subsidies, the introduction of shallow and tube wells, better irrigation and the decision to privatise the distribution of fertiliser. And for the past

three years there has been a bumper crop.

An increasing concern for government is aid disbursement. Donors have always doubted Bangladesh's capacity to absorb aid and use it effectively, largely because of an inept civil service. Implementation has always been slow. Today, some \$3.5bn is jammed in the aid pipeline.

The other aspect of this backlog is that it creates the wrong investment climate for the private sector. "The government must speed up implementation and spend. It must lead by example," says a western banker. Private investment in Bangladesh - at 10 per cent of GDP - is one of the lowest in the region.

Increased private investment will be an important component of the export-led growth - garments being the best example so far - that the government believes is the only way forward.

"Import-substitution is no good if the products we produce are uncompetitive," says Mr Rahman. "We need export-led growth. There is no other way industry [currently just 16 per cent of GDP] can succeed," he says.

Last year, the economy grew by 3.8 per cent, ahead of the population growth of 2.4 per cent; the government needs minimum economic growth of 5.5 per cent if it is to make a real dent in poverty and sustain the successes of the past 18 months.

It is this follow-through which is now causing problems. According to one economist: "The government is hitting the ball but it isn't going over the net."

agency to manufacturing in a joint collaboration with a local company.

The biggest concentration of foreign companies is at the 400-acre Chittagong Export Processing Zone, where some 87 foreign and local companies with a collective investment of about \$88m have been attracted by a 10-year tax holiday, purpose-built factories and non-union staff. A second 38-acre export zone in Dhaka is due to come on stream next month. A third is planned. Companies in the export zones escape the stifling red tape that remains the bane of industry and business.

Khozem Merchant

While some foreign companies move in, others call it a day

Investors' two-way traffic

THE general investment climate has improved over the past 18 months. Foreign companies are permitted to be 100 per cent owners of local subsidiaries, and import tariffs and corporation tax have been cut.

However, the record is mixed. While some foreign companies have been expanding their operations in Bangladesh, others, especially drug companies, have been leaving.

Among the exodus are Philips, the Anglo-Dutch consumer electronics group, and NCR, the US computer company. Drug companies, including Imperial Chemical Industries and Fisons of the UK, and Pfizer and Squibb of the US, have pulled out partly because

of government policy banning the manufacture of some generic drugs by multinationals leaving the market free for local companies.

Quibb, having decided to shut its operations after years in Bangladesh, apparently frustrated at the bureaucracy surrounding the sale. Imperial Chemical Industries and Fisons of the UK, and Pfizer and Squibb of the US, have pulled out partly because

of \$7m in 1990. "The government does not seem to be concerned," says Mr Syed Kabir, Pfizer's managing director.

However, other companies are more encouraged. One move which has produced immediate benefits for foreign companies has been the relaxation on rules governing technical agreements. Previously foreign companies were not allowed to pay for technology transfer with foreign currency.

This shift has produced tangible improvements at Bangladesh Tobacco company, part of UK tobacco group BAT.

"Product development is simply not possible here. That's why these relaxed conditions on technical exchanges are so vital. It has enabled us to benefit from the results of leaf research at head office in the UK, invite marketing expertise over and improve the factory," says Mr Malcolm Fry, BAT's

managing director. Lever Brothers, a Unilever subsidiary with a \$25m turnover in toiletries, is also optimistic. It is looking to snap up the interests of one departing drugs company.

"We see no reason for panic because the government is introducing a degree of reality," says Mr Ian Sangster, chairman. Nestlé, the Swiss chocolate group, is also upgrading its operations, from

KEY FACTS		
Area	143,598 sq km	
Population	118.7 million	
Head of State	President Abdur Rahman Bheswas	
Currency	Taka	
Average exchange rate	36.6 Taka per US\$ 1991	
	38.0 Taka per \$ 1992	
ECONOMY		
	1991	1992
Total GDP (Taka bn)	802.2	839.9
Real GDP growth (%)	3.3	4.7
Components of GDP (%)		
Agriculture	57.6	n.a.
Industry	16.9	n.a.
Services	45.6	n.a.
Inflation rate (%)	7.2	5.0
Ind. production growth (%)	7.5	18.6
Gen Govt. deficit (% of GDP)	7.1	n.a.
Gross public debt (% of GDP)	11,918	12,257
Debt service ratio (%)	21.0	21.3
Reserves minus gold (\$bn)	1,278.2	1,824.6
Discount rate (% per)	9.25	8.50
Current account balance (\$bn)	-306	-191
Exports (\$bn)	1,580	2,118
Imports (\$bn)	3,258	3,447
Trade balance (\$bn)	-1,578	-1,329
Main trading partners (1991)		
USA	28.6	5.1
Japan	3.2	8.9
Germany	10.4	3.6
Asia	10.8	33.3
EC	40.0	13.1

Notes: (1) 1992 Forecast
(2) Annual growth in consumer prices, 1992 Forecast
(3) Annual growth in industrial production, Q1, Q2 1992 only
(4) Year end 1991, November 1992
(5) Asian Development Bank estimates
(6) Percentage share by value
Source: IMF, Datastream, Economist Intelligence Unit, Asian Development Bank.

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Shiraz Sidhva finds faith and fatalism in the wake of disaster

Survival on the seashore

TWO years after the great cyclone, Ahmed Kabir is still picking up the pieces.

The cyclone hit Bangladesh on April 29 and 30, 1991. Ahmed's little mud hut, four miles from the sea, was one of nearly 50,000 homes in this region alone which were washed away.

Across the country, 140,000 people were killed and millions made homeless. Ahmed lost more than a dozen close relatives. Apart from losing his home, his family lost all its livestock including four goats and six buffaloes.

The sea, from where the lethal typhoons swept ashore, is also the source of Ahmed's livelihood - he works on the salt pans and cultivates shrimps.

Ahmed and his wife Nafisa Khatun spent the first days after the cyclone at a relief centre 25 miles away in Cox's Bazar. They then went back to their village and rebuilt their home in three months.

Ahmed is one of about 10,000 fishermen who catch shrimp larvae, which they sell for Tak10 per 100. Since the fishermen have almost no assets, they cannot borrow

from the banks and the cyclone left them in even deeper poverty than before.

Sayyid Noor, one of Ahmed's neighbours, says "the aid agencies helped by giving us money to rebuild our houses and buy fishing nets, but only 10 farmers in 100 were lucky enough to benefit".

Knee-deep in salt in the blazing heat, Sayyid says his family lived for days on the rice, salt and chili powder that they had kept buried in earthen containers outside their home. These are the "iron rations" which people in this part of Bangladesh store away in case of natural disasters.

"If we got saved that day, and if we are able to feed ourselves today, it is only because of Allah," says Noor.

About 30,000 families depend on salt reclaiming in Bangladesh and the cyclone destroyed more than 30 per cent of the salt pans and washed away more than 200,000 tons of uncrushed black salt. Two ruined salt works still bear witness to the devastation, although another, less than a mile from the worst hit area, has been rebuilt and is thriving.

Large fishing boats are used to transport the salt to Chittagong. The plant's owner, Hafeez, says 1992 was a very good year, thanks to the good weather which enabled the salt panning season to last from November to May instead of the usual mid-December to early April.

Abdul Kareem, like two thirds of those who work the salt pans, is landless, and has to lease the land on which the salt is deposited. Borrowing from the moneylender who also owns the salt pans, many farmers end up as bonded labourers and their families go ever deeper into debt from one generation to the next.

The money lender-landlord also buys back the harvested salt at prices as low as his interest rates are high. "The cyclone has only increased our debt to the landlords," says Kareem. "For those who did not survive, at least the misery of surviving each day has ended."

In summer, the flooded salt flats are used for harvesting shrimps. The methods used to trap shrimp fry are primitive and uneconomical. According to an expert, even semi-intensive methods would yield

1,130kg of shrimps per acre compared with the present 60 kgs. The greater salinity caused by the cyclone and by last year's long dry summer further reduced the shrimp harvest.

But nature has not been entirely cruel to the people of Chakoria. The emerald-green paddy fields that fringe the salt and shrimp flats benefited from the wrath of the cyclone. Nearly 80 per cent of all agricultural crops were destroyed, and the watermelons and tomatoes for which the area is renowned were damaged by the increased salinity.

But the rice crop was 50 per cent bigger than usual thanks to the rich layers of alluvial soil which the cyclone deposited in the paddy fields.

Aid organisations are slowly helping people to rebuild their homes, even though this will seriously deplete the amount of bamboo in the nearby forests.

More than 90 per cent of all livestock (1.4m animals in Chakoria alone) were killed, together with all the poultry. Only a few buffaloes survived. Thanks to the diligent husbandry of the women, the poultry stock is now back at more



Ahmed Kabir at his children near their rebuilt home: If Allah wishes it, nothing can save us (picture: Shiraz Sidhva)

than 30 per cent of the original numbers.

"It killed me, as the eggs for hatching were children were starving," says Farida Khatun. After a disaster she bought a single chicken from the market with meagre had saved without losing husband. She now has birds.

"We have to think ahead, and I knew that a few days more of hunger would afford us comparative comfort later."

For Ahmed Kabir, however, recovery is only relative. "We were poor to begin with; the cyclone has only made us poorer," he says. His children had attended one of the 33,000

primary schools destroyed by the cyclone. Today, classes are still held out of doors.

Roads have been largely rebuilt and the government is constructing multi-purpose cyclone shelters with financial help from Saudi Arabia.

Standing on a rebuilt anti-flood embankment (52 per cent

of these structures were destroyed), Ahmed voices the local fatalism. "No embankment or shelter can save us, if Allah wishes otherwise," he says. "Sometimes, when I work to rebuild all I have lost, I can't help wondering how soon it will all be washed away again."

THE jute industry, once Bangladesh's biggest export earner, is today its greatest agricultural liability.

Annual losses run to more than \$30m and bad debts total \$925m. Shoddy management, overmanning, competition from synthetics, and a sharp fall in jute prices over the past decade have all contributed to the downfall of the "golden fibre".

Under a World Bank-led programme, the government is trying to reform the industry ahead of its eventual privatisation. It envisages large-scale jobs losses, modernising plant and improving competitiveness.

But since its announcement two years ago, the privatisation programme has consistently encountered problems in implementation: from a civil service wary of the thrust of the policy to unions fearing jobs losses.

Earlier this month, jute unions took part in a (largely

Jute growers face dual pressures, says Reazuddin Ahmed

Golden fibre in trouble

unsuccessful) two-day *hartal* - general strike - in support of a minimum wage. The industry employs a fifth of the country's workforce and earns 29 per cent of its foreign currency - down from 80 per cent at its peak in the late 1970s.

The World Bank has warned that further wage increases would erode competitiveness and impede reform. The Bank is expected to announce a financing package for reform of the sector soon, but as Mr Saifur Rahman, finance minister, says: "The Bank may not participate in restructuring if there are further wage increases."

Some 10,000 jute workers have already accepted redundancy, but another 20,000 need

to go together with a larger number of mill closures before the sector is ripe for sell-off, the government says.

Mr Hannan Shah, jute minister, blames the industry's losses on old machinery and higher overhead costs. But, as independent observers say, these problems pale besides the sector's huge bad debts, the biggest single headache facing the government in overhauling the industry.

Bangladesh accounts for 80 per cent of world exports of raw jute, a fibre used in many jute-based products such as hessian, carpet-backing cloth and sacking, and for 40-45 per cent of jute manufacturing.

Jute acreage has been declining over the years, mainly in

response to a downward trend in international prices: an average 780,000 ha were planted to jute in the early 1970s, falling to 588,260 ha in 1991-92.

Slight yield improvements have not been enough to make up for the fall in area under cultivation and in general jute output has continued to decline. In 1990-91, the jute crop was 942,700 tonnes from 584,000 ha, while in 1991-92 an estimated 937,600 tonnes was produced. Bangladesh's jute fibre exports have fallen sharply, from 500,000 tonnes in the early 1980s to 288,000 tonnes in 1990-91, though they have picked up a little.

After rising steadily in the 1970s and 1980s, world jute

demand rose last year by 0.7 per cent, says the International Organisation, which represents producers.

The IJO says that with acreage contracting in less producer countries such as Bangladesh and India, world output this year will total 2.1 million tonnes, 15 per cent down last year.

Prospects for the industry are under a cloud: competition from synthetics and containerisation have dented demand for jute as a packaging material.

Mr Shah believes crop quality must be improved so as to diversify into other jute-based products, such as paper and textiles. His ministry is studying



Militant jute and textile workers stage one of their frequent national stoppages

two proposals from China and one from Japan to establish a jute-based paper and pulp industry in Bangladesh.

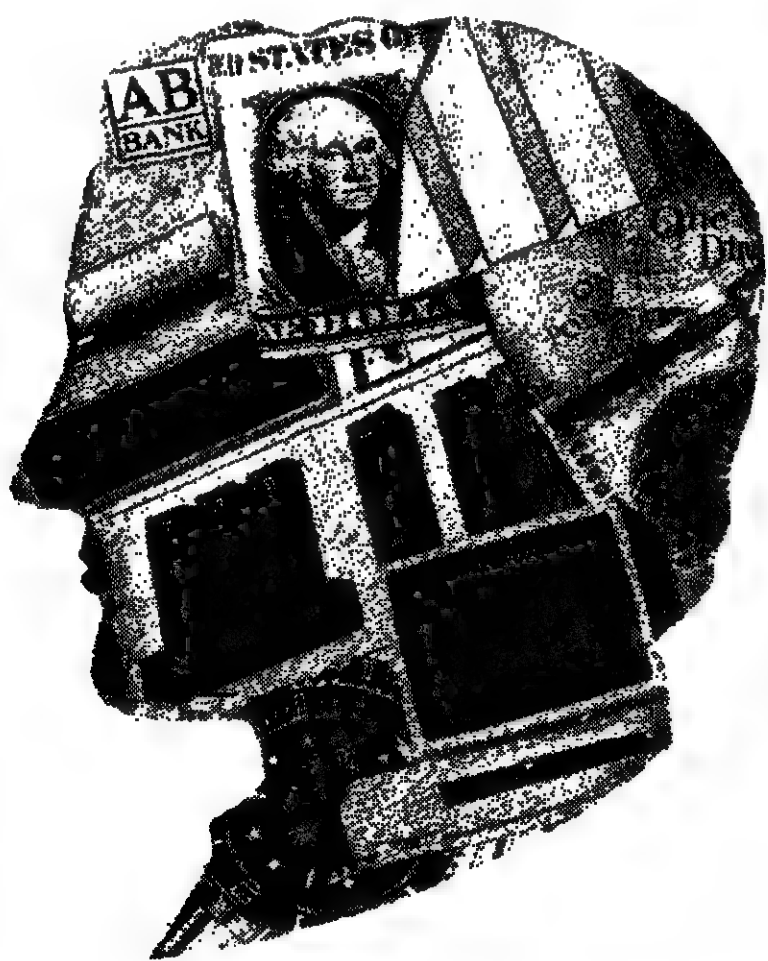
The rise in environmental concern has also taken its toll demand: as a result of a European Commission direc-

tive promoting recyclable forms of packaging, jute consumption in western Europe is expected to fall.

The IJO is pressing EC countries to implement the directive in a way which recognises jute's environmental qualities.

One of the main arguments for boosting use of jute-based paper, for instance, is that it will reduce the number of trees chopped down to supply conventional paper mills.

□ Additional material by Khazem Merchant



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Adrian Furnham looks at the issue of pay equity at the workplace and the pressures that may decrease productivity

Moving tale of a fair day's work

Odd things sometimes happen during office moving. Recently members of a group of American life assurance underwriters of varying degrees of seniority (ranging from trainees to associate underwriters to underwriters) were assigned for a fortnight to the offices of their co-workers while their offices were refurbished.

Some were assigned to the offices of a higher status person; others were assigned to the offices of lower status people; still others were assigned to the offices of equal status people. In addition, one group continued working in their own offices throughout the period. During this fortnight, productivity was measured, taking into account the number of hours worked and the difficulty of the cases reviewed. The result was curious.

Although all the underwriters performed equally well before the office moves began, these office re-assignments had a profound effect on productivity.

Those assigned to higher status offices dramatically improved their performance; those assigned to lower status offices dramatically lowered theirs. Employees whose workspace rewards were unchanged had performance levels that

remained much the same during the study.

As soon as the underwriters returned to their own offices, their performance returned to its original level.

Why did their productivity change? One answer is that people respond to, and "correct", inequities created not only by the money they receive but also other rewards such as the status value of their offices. Therefore if people in a state of equity get more they work harder; take things away and they produce less.

But what is equity? Consider the example of a group of friends going out for a meal who agree to share the cost. They usually divide the bill (plus tip) by the number of people present. Everybody pays the same despite the fact that they have eaten differently priced dishes. This means, of course, that those who choose modestly priced food and drink tap water subsidise those who have more expensive tastes and drink alcohol. The anecdote as it were is paid for the gutters.

As a consequence people who

dine together tend to choose dishes of similar cost. They either all do or do not have a starter, a drink or dessert so that no one person in the group eats more than the others.

If however somebody wants an expensive item and the others do not, it is frequently agreed that he or she pays for it separately. The principle of equality - people all pay equally irrespective of what they eat - is replaced by one of equity, where people pay differently depending on what they eat.

There is one other option: the richest in the group pays proportionally more. This principle, taxation, is the least popular.

Nearly everyone faced with the choice argues for equity, certainly in the world of work, and particularly when it comes to pay. Nearly everybody favours equity over equality because they feel it is the fairest system. Climate surveys, which are snapshots of a company's health, frequently show people are most unhappy with the pay system because appraisal is not directly linked to pay.

Strikes, walk-outs and go-slows

Although all the underwriters performed equally well before the office moves began, these office re-assignments had a profound effect on productivity. Those assigned to higher status offices dramatically improved their performance; those assigned to lower status offices dramatically lowered theirs. Employees whose workspace rewards were unchanged had performance levels that remained much the same during the study.

are often the result not of complaints about absolute pay but comparative pay. One person discovers that he or she is paid less for work of equal skill or responsibility than a colleague and all hell is let loose.

Where people feel unfairly dealt with and inequity is rewarded - nearly always undervalued in the sense that they feel they give more than they get - they nearly always attempt to rectify the position. There are two ways working people bring about a sense of pay equity: they seek to increase their rewards or decrease their effort (or both).

The first aims to get more reward for one's work in terms of pay or benefits, sometimes called a package. That is neither easy nor even feasible in poorly performing companies or during a recession.

There are, however, other things people can take. For instance, shoplifting (politely called shrinkage) is more often carried out by employees rather than by customers, partly because it is easier. Certainly stealing goods is one way of increasing rewards - if one's organisation produces or has something worth stealing.

On the other hand, one can steal time by coming late, going early or simply going absent frequently. Time is money as the adage has it and can be relatively easily stolen, as national absenteeism figures (especially those for local authorities) show. The easiest way of increasing one's pay is to work fewer days for the same money.

It is frequently difficult, dangerous or even impossible to increase rewards, and consequently it is much more common to find employees reducing their input: their

enthusiasm for the job; the amount of effort they put into their work; their willingness to do (unpaid) overtime; and their attitudes to customers.

In the last resort, the worker convinced he or she is unfairly dealt with might leave the organisation. The most common reaction, however, is the alienated, uncommitted, unhelpful worker: the sort we have all encountered, even in customer service industries.

Sometimes a feeling of inequity comes after promotion because, although promotion usually means an increase in salary, status and benefits, it also means an increase in responsibility and workload, and the two might not increase proportionally.

I know many people in the academic world who refuse promotion because, although they feel equitably dealt with at their level, on the next level increased responsibilities simply outweigh rewards; hence the fact that in some jobs people frequently eschew promotion until the equity balance is re-instated. Most frequently, the feeling of inequity

and unfairness occurs when we compare ourselves to others doing almost the same job but in different organisations in different countries.

People at work need to feel fairly, equitably rewarded. Their perception of fairness may differ from that of their employers because the value attached to rewards or outputs such as free meals, sports/fitness facilities, company cars and inputs such as hours of work, attention to detail and customer responses may not be shared by employer and employee. If people feel unfairly dealt with, they will do something about it.

Not everybody in a state of inequity feels it because they are under-benefited; some, the theory goes, feel it because they are over-benefited. To overcome this imbalance, the fortunate over-rewarded individuals can either not take their full benefits or they can work harder. Lady Thatcher, when prime minister, did both; she did not take her full prime ministerial salary (taking only that of a minister) and worked preposterously long hours.

What, one wonders, did she feel guilty about?

Adrian Furnham is a Professor of Psychology at University College London.

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(Ref. EXT/637)

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ACCOUNTANCY COLUMN

Where relationships may be too close for independence

Prem Sikka, Anthony Puxty and Hugh Willmott on why the provision of non-audit services to audit clients should be re-examined

THE time has come to address a neglected aspect of the effectiveness of auditors in discovering fraud: the question of their independence when they are allowed to sell non-audit services to their audit clients.

In other European countries such as Germany, auditors must act exclusively as auditors. But whenever this restriction is proposed in Britain, the auditing industry argues little evidence exists to show that the provision of non-audit services to audit clients impairs independence.

It is difficult to provide hard evidence to refute this argument. The public is told little about company-auditor relationships, and the auditing firms fail to publish meaningful information about their affairs.

Companies are now required to show the audit and non-audit fees generated by auditors in their accounts. But there is nothing on topics such as the profitability of the audit, contract details, the composition of the audit team or how it works, which would help assess auditor independence.

Yet when accountants provide non-audit services to their audit clients, there are many instances in which they may jeopardise the independence of their assessment by auditing the figures of their own colleagues from the tax, consulting or corporate finance departments.

In the aftermath of a company collapse and fraud, the

quality of audits is sometimes scrutinised through investigations by Department of Trade and Industry (DTI) inspectors. Their reports could shed some light on the debate. Unfortunately few of these reports are published.

Even those in the public domain do not always comment on auditor independence. On those rare occasions when they do, some reports have concluded that the provision of non-audit services does or may impair the service provided.

In their 1976 report on the frauds and collapse of Roadships, for instance, the inspectors (one of whom was a Touche Ross partner) concluded that "independence is destroyed when the 'work which is being audited is in fact work which has been done previously by the auditors themselves acting as accountants'".

The report concluded: "We do not accept that there can be the requisite degree of watchfulness where a man is checking either his own figures or those of a colleague... For these reasons we do not believe that [the auditors] ever achieved the standards of independence necessary for a wholly objective audit."

Similar concerns were expressed in the 1979 DTI report on the collapse of Bura-

holme and Forder. The inspectors (one of whom was an Ernst & Whinney partner) concluded: "In our view the principle of the auditor first compiling and then reporting upon a profit forecast is not considered to be a good practice for it may impair their ability to view the forecast objectively and must endanger the degree of independence essential to this work."

These views at the very least challenge the assertion made by the Institute of Chartered Accountants in England and Wales in its recent response to the McFarlane report on the future development of auditing that "There is no evidence - for example in DTI inspectors' reports - that auditors' objectivity is compromised by the provision of other services."

Inspectors' reports have also been critical of other relationships affecting auditor independence. One on the Grays Building Society from the Registrar of Friendly Societies noted that auditor independence was compromised due to the length of time served by an auditor, leading to an approach which was described as "mechanical and predictable". Audit failures in a 1978 DTI report on Hartley Baird concluded that the auditors were "too closely connected with" one of the directors.

There may be an expectation

from the government that the accountancy bodies will act on the findings and recommendations of DTI reports. But these associations are in no position to control multinational auditing firms. Their main concern is to promote and defend the work of their members.

So the inspectors' comments and recommendations have been ignored. Auditors continue to audit the figures created by their own firms and colleagues. This is something no other watchdogs are routinely expected, or allowed, to do. Cozy relationships with directors are not disturbed.

In the mid 1980s, the need to implement the EC Eighth Directive - which covered audit regulation - presented an opportunity for substantial reform. The government issued a discussion document that included proposals for curtailing the sale of non-audit services by auditors. But in the face of pressure from auditing firms, their trade associations and patrons, the proposals were abandoned. It was only this year, after government pressure, that the accountancy bodies approved ethical guidelines to forbid auditors from reporting on specialised asset valuations which they have themselves valued. These guidelines do not currently include pension valua-

tions. There are no other such restrictions on the provision of services by auditors.

The ultimate responsibility for safeguarding the interests of stakeholders lies with the DTI. Yet current ministers have shown no interest in taking action on the provision of non-audit services.

That is in spite of comments from Mr Michael Heseltine, now secretary of state at the DTI, in his 1987 book *Where There's a Will*. He argued at the time that accountancy firms ought "to be debarred from doing any other work for a company for which they act as auditors... to prevent any possible conflict of interest".

The British government's attitude contrasts sharply with that in many other countries. Consider the case of Fokus Bank in Norway. In 1981 the Norwegian government removed its auditors, KPMG Peat Marwick, which were also supplying substantial consultancy services. The reason, according to a senior official, was: "It is very questionable that an audit firm combines its role as a key management adviser with the statutory audit function."

Such a move is highly unlikely in Britain where the accountancy bodies are the regulators of the auditing industry. The recent Cadbury and McFarlane reports could

have examined questions of auditor independence in detail. But they were sponsored by the accountancy bodies and have done no such thing. The reports make no mention of the recommendations in the DTI inspectors' reports.

With the collapse of BCCI, the opportunity should have been taken to examine the issue of auditor independence. But such matters were beyond the range of Lord Justice Bingham's terms of reference. Instead, the government is relying upon the accountancy bodies to look into the auditing aspects of the BCCI failure.

Yet the disciplinary action taken against the large firms has been limited. As the Secretary of State for Trade and Industry admitted to Parliament in November 1991: "No auditor criticised in an inspectors' report has been debarred from auditing as a result of information in that report".

Within the current regulatory arrangements, poor audit quality is unlikely to be prevented. A way forward would be for the House of Commons Trade and Industry Committee to investigate matters relating to auditor independence.

Prem Sikka is principal lecturer in accounting and finance at the University of East London; Anthony Puxty is professor of accounting and finance at the University of Strathclyde; Hugh Willmott is senior lecturer at the school of management at the University of Manchester Institute of Science and Technology.

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Preferably a graduate, aged 35-40 and a fully qualified ACA/ACMA. Your post-qualification experience will undoubtedly be in a manufacturing environment of a multi-national company, ideally with a period spent abroad. An exemplary track record of success in a senior financial role is essential as is your ability to bring innovative thinking and a high level of analytical skill to the appointment. Experience with modern costing techniques and some exposure to international corporate taxation are key attributes. Fluency in German is essential.

To apply, please send your CV detailing your experience, achievements and remuneration to: Stephen Newman, Theaker Monro & Newman, Premier House, 2 Gayton Road, Harrow, Middlesex, HA1 2XU, Tel: 081 863 9001, Fax: 081 863 0749, quoting ref: 2186.

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the vision to develop the longer term potential of this role.

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If you wish to discuss this position in confidence, please telephone Alanah Hunt on 071 939 6068. Alternatively send your application, including your CV and why you feel you are qualified for this role, quoting reference A/1326, to her at the address below.

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THE ROLE

* Considerable exposure to main board through commercial performance review and impact on strategic issues. Responsibility for consolidation, review and reporting of group results together with the development of group accounting policies. * Manage and motivate a high calibre team of 20 staff. Responsibility for interim and preliminary announcements including liaison with external advisors.

THE QUALIFICATIONS

High level of ambition, technical competence and computer literacy, coupled with experience of reporting requirements of a sophisticated "blue-chip" PLC. * Proven track record of academic and professional achievement. Aged late 20s/early 30s. First class commercial manager with obvious potential to progress beyond this role.

Please reply in writing to 27 York Place Leeds LS1 2EY enclosing a full curriculum vitae and quoting Reference BFM10034. Telephone 0532 467033 Facsimile 0532 470191

B F M I
SEARCH & SELECTION

FINANCIAL CONTROLLER

Director Potential

W. Herts.

c.£40K + Significant Bonus + Car

This opportunity exists within an autonomous division of a British plc. Operating in niche, high added-value electronics, this international business continues to achieve rapid, profitable growth through being market-led and quality-driven. Investment in success is exemplified by a demanding programme of new product development and international expansion.

The Controller will be a critical contributor to the continued success of the business at both group and company level. Candidates must possess strong business acumen together with proven Controller experience and be comfortable in a questioning, high achieving management team. General management potential will be apparent.

You will be a qualified accountant, degree educated, aged 30+ with a successful track record to date, together with the determination to contribute and succeed in this very ambitious environment.

The salary, bonus and benefits package reflect the importance of this role. Please write, in confidence, enclosing full career details and present salary to Peter Lewis at Line Management Resourcing. As applications will be forwarded to our client, please specify in your covering letter any companies to whom your details should not be sent.

Line Management Resourcing

Recruitment Consultants

Canada House, 272 Field End Road, Eastcote, Ruislip, Middx HA4 9NA

Suitable candidates will also possess:

- * Significant manufacturing background
- * International experience including knowledge of accounting standards
- * Experience of European business culture
- * Commitment to innovative people-centred management principles
- * Thorough knowledge of computerised business systems
- * The ability to be a good team worker, leader and communicator
- * Fluency in a major European language would be advantageous

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INVESTMENT MANAGEMENT

BUSINESS ORIENTATED
LAWYER OR ACCOUNTANT
City

Our Client is one of the largest and most successful UK investment management groups. It provides a full range of services to both institutional and private investors and has a substantial and growing global presence. There is now a vacancy in the firm which advises across a broad spectrum of new and existing products and services. The team's specific responsibilities include structuring and co-ordinating the launch of new investment products in conjunction with marketing and investment teams, and advising across a range of legal and regulatory issues. Ideally aged between 27 and 32, the successful candidate is likely to have already gained experience within a leading City firm or the financial services sector and will have a legal or accountancy background. Key attributes include a highly developed commercial awareness, a practical approach responsive to the requirements of a corporate environment and an ability to deal comfortably with management at all levels. Whilst not essential, the experience in offshore funds or in the US or Far East would be useful.

The remuneration package will be competitive and benefits will include a car, management bonus, profit share and mortgage subsidy. There are excellent prospects for significant career development both in the UK and internationally.

QD
QUARTERDOCK

For further information in complete confidence, please contact June Marild on 071-405 6662 (081-340 7078 evenings/weekends) or write to her at: Quarry Downside Commerce & Industry Recruitment, 37-41 Bedford Row, London WC1R 4JH. Confidential fax 071-831 6394.

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GUINNESS PLC

Group Chief Accountant

To £70,000 + Benefits

London

Guinness is one of the UK's leading consumer goods companies. With a market capitalisation over £9bn and profits over £900m, it has the most outstanding portfolio of beer and spirits drinks brands in the world and is one of the few truly global beverage businesses.

THE POSITION

- Responsible for maintaining excellence in management and financial reporting, including to Board level.
- Responsible for Group and Head Office budgeting, financial analysis and capital expenditure and investment appraisal.
- Liaises closely with Treasury and Tax. Responsible for development of group reporting systems and wide range of ad hoc assignments.

QUALIFICATIONS

- Outstanding, graduate ACA, aged 30+, with substantial group financial reporting and control and management experience from within a blue chip international business.
- Technically excellent, highly committed with first class leadership skills.
- Strong interpersonal skills. Willing and able to ensure application of best practice.

Please reply in writing, enclosing full cv, Reference M0872
54 Jernyn Street, London SW1Y 6LX

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Finance Director

Major Capital Goods Exporter

To £60,000 + Benefits

Midlands

Rare opportunity for a finance professional to join a high profile blue chip group in a pivotal commercial role.

THE COMPANY

- Key division of multi-billion pound global manufacturing and contracting business.
- Profitable and well financed with strong order book, manufacturing in the UK and overseas.
- Engineers and installs heavy capital plant. A market leader in its field.

THE POSITION

- Key commercial role addressing foreign exchange and financing issues on export contracts.
- Advise and support Managing Director. Significant input at strategic level in planning, forecasting and financial analysis.

- Responsible for subsidiary reporting, consolidation and interpretation.

QUALIFICATIONS

- Graduate, qualified accountant, aged 35-50, ideally with language skills. Background in international capital goods business.
- Strong business acumen, commercially orientated. Capable of significant strategic input and further promotion.
- Robust personality, excellent interpersonal and communication skills. Prepared to voice and push own views.

Please write, enclosing full cv, Ref BM1208
NBS, Berwick House, 35 Livery Street,
Birmingham, B5 2PB

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Guardian
Royal
Exchange

Manager, Group Control

To £53,000 + Benefits (inc. re-location)

Lytham St Annes

The Guardian Royal Exchange Plc is a leading UK based financial institution which provides a comprehensive service in major insurance business areas, investment, property development and fund management. With total assets approaching £11.5bn and significant operations in North America, Europe and the Far East, GRE has taken decisive action substantially to strengthen both the quality and structure of key management to maximise shareholder value. To develop further this process, a key new appointment is to be made in the Group Control department.

THE POSITION

- Head Special Investigation Unit and direct investigation of all incidents reported and liaise closely with operating subsidiaries worldwide.
- Manage and develop established, dedicated team of investigators and identify areas vulnerable to fraud.
- Head QA Unit, ensuring adherence to Group audit standards worldwide.
- Report to Head of Group Control.

QUALIFICATIONS

- Commercial graduate, Big 6 trained ACA, aged 35-45, with detailed knowledge of both UK and US reporting. IT literate, preferably with one foreign language, ideally German.
- Minimum of five years' risk based internal audit experience in financial services, ideally insurance. International experience advantageous.
- Strong interpersonal and leadership skills. Mature and pro-active with authority, credibility and an enquiring mind.

Please write, enclosing full cv, Ref M1197
54 Jernyn Street, London SW1Y 6LX

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Financial Controller

Professional Services

To £35,000 + Car

London

Key role as chief financial officer with major subsidiary of successful UK plc.

THE COMPANY

- One of the UK's leading professional training companies.
- Provides innovative and quality product range to an enviable UK wide client base.
- Strong and dynamic recently restructured board with clear and aggressive growth plan.

THE POSITION

- Full responsibility for financial and management reporting supported by plc finance function. Report to Chief Executive.
- Responsible for IT and administration.

- Maintain strict financial discipline and conduct ad hoc exercises for Chief Executive.

QUALIFICATIONS

- Commercial graduate ACA, aged 27-35 with at least two years' financial management experience gained from services sector.
- Robust, energetic hands on operator. Keen eye for detail.
- Mature and pro-active lateral thinker capable of board promotion within six months.

Please write, enclosing full cv, Ref M1199
54 Jernyn Street, London SW1Y 6LX

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Finance Director

c.£65,000 + Bonus

London Area

Excellent opportunity for an outstanding individual to join a market-leading business.

THE COMPANY

- Subsidiary of major UK quoted international group.
- Total workforce of 700+. Annual sales £100m plus profitable.

THE POSITION

- Responsible for full range finance function: planning, financial and management accounting and control. Manage significant financial systems.
- Report to MD. Assist in overall development of the business. Provide support on all financial matters, both in UK and overseas. 80 staff.
- Develop communication links within the group and other subsidiaries.

QUALIFICATIONS

- Graduate qualified accountant, aged 35-45. At least 10 years' financial management experience.
- Strong technical skills. Significant track record as FD managing large department within international, creative business.
- Strong, influential communicator, both orally and in writing. Good negotiator with strategic awareness, presence and intellect.

Please write, enclosing full cv, Ref LM1207
NBS, Berwick House, 35 Livery Street,
Birmingham B5 2PB

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Finance Director

Plc Subsidiary

c.£35,000 + Bonus + Car

West Berkshire

Key commercial role in the management of profitable distribution company. Significant prospects.

THE COMPANY

- Subsidiary of well established quoted plc. Turnover £11m. Growing.
- Distributes own label and branded products to automotive and DIY wholesalers.
- Three highly focused divisions. Sales driven and acquisitive.

THE POSITION

- Wide-ranging, hands-on role, supporting divisional Managers. Champion strategy through multi-level liaison.
- Full responsibility for budget preparation and financial management, analysis and control. Aided by small team.

- Build and maintain relationships with suppliers and customers. Additional computer and personnel responsibilities.

QUALIFICATIONS

- Ideally graduate ACA/CIMA, aged 28-35. Broad financial management experience from tightly controlled industrial services group, or relevant audit experience from the profession.
- Strong, energetic and challenging manager with first class interpersonal skills. Presence and tact.
- Potential to assume more senior, commercial role.

Please write, enclosing full cv, Ref SM1205
7 Shaftesbury Court, Chalvey Park, Slough, SL1 2ER

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Central London
Starting salary
c.£30k

A large public organization is seeking a Head for its Budgets and Costs Team, who will be based in Central London.

The only qualified management accountant in this important organization, you will report to the Head of Resource Management. As line manager of a well resourced Budgets and Costs Team, you will carry a wide range of responsibilities including:

- Preparing long-term plans for the department and the annual estimates of departmental expenditure.
- Scrutinising all departmental and branch plans.
- Monitoring budget expenditure and controlling the provision of management information.
- Providing advice and guidance on management accounting issues for line managers.
- Contributing to departmental policy on costing, charging and market testing.

Ideally CIMA qualified, you must have at least five years' practical experience of management accountancy work, with at least two years' at senior level. This should ideally encompass line management experience. Familiarity with PES procedures and computerised management information and accounting systems is important. Some experience of developing costing and charging policy, and of market testing is desirable.

Essentially, we are looking for strong intellectual capacity coupled with penetrative analytical skills. We will also expect drafting ability which displays attention to detail and focuses on the important. The position offers scope for further development and a facility for innovative thinking will be a major asset.

Starting salary, depending on experience and qualifications, will be within the range £29,613 to £35,000 including inner London weighting of £1,750. A system of performance related pay operates, rising to a maximum of £41,371. There is a non-contributory pension scheme. Relocation assistance is available in certain circumstances.

RAS

If you feel that you possess the high level of ability to fill this central and important position write for further details and an application form (to be returned by 16th April 1993) to Recruitment & Assessment Services, Alconon Link, Basingstoke, Hants RG21 1JB or telephone Basingstoke (0256) 468551. Please quote ref: R/1850.

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Services

Putting People And Service First

Assistant
Group
Financial
Controller

c.£37,500,
PLUS BONUS,
CAR AND BENEFITS

NORTH WEST

One of the largest plcs in the country, based in the North West, the Company has major operations in the United Kingdom and accelerating involvement in the USA, Europe and many other parts of the world. Group financial controls and keenly interpreted information of actual and future performance are crucial to the further growth of this profitable group.

Working directly with the Group Financial Controller, this key role will be fulcrum to improving the quality of financial information throughout the Group - with direct involvement in the financial planning process, and also in special projects (including acquisitions, etc.). The position requires a modelling-competent, graduate Chartered Accountant, probably aged 28 to 33 and with big company experience: your key skills will lie in the ability to communicate widely (which may involve substantial travel and where language ability would be an advantage), to obtain the required information and interpret it, and to take others forward with you. You will need to be committed, flexible with your time, and extremely able.

This high-profile role will be well rewarded in remuneration and career prospects within this well-managed international plc.

Candidates should send a comprehensive CV or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 061-839 2000, Fax: 061-839 0064, quoting reference (F.T.794E).

Howgate Sable

SEARCH AND SELECTION: EXECUTIVES AND INDEPENDENT DIRECTORS

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WEST WALES

TO £40,000 + BONUS + CAR

Finance Director

Contract Engineering

This new appointment provides an attractive opportunity to join a well-established and successful privately-owned business that is eminent in its market sector. Its reputation for providing a high level of service to its blue chip customers should sustain further growth from its present turnover of around \$20 million.

The role of the Finance Director will be to work very closely with the small management team in the planning and implementation of strategic objectives, whilst retaining hands-on responsibility for the financial management of the group. Emphasis will inevitably be on effective cash forecasting, tight financial control and the provision of timely and relevant information needed to manage the business. You can also expect considerable commercial involvement in the business as it expands.

A qualified accountant, you will probably be in the age range 33-45 and will have operated at finance director or equivalent level in a related industry. Experience of contract accounting and control is

highly desirable and your practical, shirt-sleeve approach to financial management must be backed by a well-developed commercial awareness. The ability to perform in a private company culture is vital with essential personal qualities being strength of personality, decisiveness, persistence and strong communication skills at all levels in a business. It is a role for an all-rounder capable of making a wide business contribution.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P249 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

NORTH WEST

c £70,000 + SUBSTANTIAL BENEFITS

Finance Director

With turnover in excess of \$85 million and an enviable record of increasing earnings, this quoted company is an acknowledged success story. The strategy of developing its core business together with complementary diversification should continue to sustain its growth.

As Finance Director, you will play a leading operational and strategic role in the development of the business. You will be expected to handle City and investor relations, take a leading role in any acquisition process and manage related treasury activities. A move to new premises is planned and the opportunity is being taken to assess the systems that will be required as the business continues to expand. Tight financial control will continue to be a key issue.

You are likely to be a graduate chartered accountant in the age range 35-50 and a proven commercial decision maker. All

round technical strengths, including system implementation experience, must be augmented by a track record of profitable financial management of a successful business. City experience and credibility would be an advantage.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P248 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

Vice President Finance

Leisure Industry

North West

c £45,000 + Car + Bens

Our client operates in a niche sector of the leisure industry and is the market leader in its field. The group has established an international presence and has significant plans for further expansion by acquisition, joint venture and organic growth.

They seek to appoint a VP Finance to assume total responsibility for the financial management of the company and to provide commercial support to the Executive Officers. More specifically you will be responsible for monthly and annual management and statutory reporting, strategic planning and business development. The position involves extensive liaison with the US parent and operating subsidiaries worldwide.

Candidates, aged 32-40, will be qualified Chartered Accountants who can demonstrate a strong profit orientation with the ability to take and influence commercial decisions at the highest level in a fast moving business. Well developed interpersonal skills and a proactive approach are essential to make an important contribution to the future success of the business.

Interested applicants should forward a comprehensive curriculum vitae quoting ref: 126890, to Stephen K Banks ACMA at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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Corporate Development

- Mergers & Acquisitions

Midlands

c £40,000 + Benefits

Our client, with a turnover in excess of £1bn, is a capital intensive, highly profitable organisation who is at the forefront of its chosen sector.

In order to exploit its market pre-eminence, it is about to undertake an ambitious international expansion programme. Key to this strategy is the development of their Corporate Finance function within its Midlands headquarters.

Reporting to the Managing Director, Corporate Finance, the essential technical prerequisites are:

- Experience of cross-border mergers and acquisitions with major multi-national organisations.
- A track record of managing the above to successful conclusions.
- Experience gained of project financing.
- A working knowledge of international financial issues covering foreign exchange, taxation and sources of funding.

- A high degree of analytical skills and competence in financial modelling.

As a qualified accountant/MBA you will have multi-industry experience and established contacts with major financial markets. You will be aged 30-45 years old and be able to demonstrate an ability to:

- Lead and manage projects to tight deadlines.
- Possess excellent interpersonal and negotiation skills.

It is envisaged that the assignment would be six to twelve months, with a possibility of a permanent position. In return, they offer a competitive salary and benefits.

Interested candidates should write to David Greenwell, Regional Manager at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

MP

Michael Page Finance

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Audit Managers

Financial Services

Hong Kong/China

Price Waterhouse in Hong Kong has one of the largest offices in the PW worldwide organisation.

Now, as a result of business growth in the financial services sector, we are offering excellent career development opportunities to audit managers with relevant experience. You will be based in Hong Kong but there are likely to be opportunities for Cantonese and Mandarin speaking staff to carry out assignments in China.

You should be a Chartered Accountant with relevant experience in either the banking, securities or insurance sectors. You should have at least two years

experience as an audit manager, preferably within a "Big 6" firm.

Initial contracts are for two years during which our dynamic business environment will offer an excellent opportunity to develop your all round professional skills. If you are ambitious and talented, there are good prospects for further promotion.

Interviews will be held in London.

If you are interested in this exciting opportunity please contact: John Thompson, Price Waterhouse World Firm Services BV, No.1 London Bridge, London SE1 9QL. Tel: 071-939 5864.

Price Waterhouse



Global Investment Bank

Taxation Adviser

City

Package £50,000

Our client is a major international securities firm performing worldwide services to a large and diversified group of clients.

An exceptional opportunity has arisen for an individual to work within their small, high profile UK taxation team. It is an integral part in the further development of international taxation advice to all areas of the business, including:

- European fixed income and equity derivative products.
- Foreign currency and commodities transactions.
- Capital markets.
- Project finance, securitisation and property transactions.

This requires a "hands-on" business approach to taxation planning advice working under pressure within a dynamic results orientated environment.

The successful candidate is likely to be an individual who has experienced fast track and accelerated promotion to date within an investment bank, major accountancy or legal firm.

Specifically, you should be an ACA or qualified lawyer, aged 26-30, with a first class academic and technical background. In addition you will need strong interpersonal skills, maturity and be a consummate team player. Knowledge of financial services in general and financial products specifically together with a numerate background are advantageous but not prerequisites. Prospects for further promotion will only be limited to the individual's personal ability, drive and ambition both within and outside taxation.

Interested candidates should send a full curriculum vitae to Chris Nelson at Michael Page Finance, Page House, 39-41 Packer Street, London WC2B 5LH. Tel: 071 831 2000. At evenings and weekends call 081 785 6191 (ansaphone).

MP

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FINANCIAL CONTROLLER

(DIRECTOR DESIGNATE)

A subsidiary of a major international plc requires a Financial Controller with the ability to take on a Board appointment within two years. Reporting to the Managing Director you will be expected to take full control of the accountancy function including weekly site performance reporting, preparation of monthly management and annual statutory accounts, advice to the Board on financial matters and liaison with Divisional/Group Finance Departments.

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MIDLANDS OPPORTUNITIES

West Midlands

DIV. F.C. TO 35K + CAR (FX)
PLC seeks ambitious, bright ACA aged c30. Must be commercial, have an eye for detail and some operational experience. Excellent prospects.

Potteries

F.D. TO 37K + CAR (FX)
Company moving to the area seeks commercial 'hands on' F.D. prefer ACA up to 34 years of age with proven ability gained in a demanding, commercial environment.

CVs to
Anthony Kneebrough ACA,
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BUSINESS MANAGEMENT EXECUTIVE

Qualified accountant, with extensive general and financial management experience in manufacturing and consumer goods seeks permanent or assignment based opportunity. Internationally experienced and computer literate person who revels in a challenge.

For further details write to:

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Financial Times,
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London SE1 9HL

FINANCE DIRECTOR

East Midlands

c£35,000 + car + bens

Our client, part of a highly profitable, diversified and acquisitive quoted group, is a successful niche player in the packaging industry. An important aspect of its development strategy involves the appointment of a senior finance professional for this key position.

Working as an integral part of a compact, creative and energetic management team, you will have responsibility for all aspects of finance and will contribute commercially to the business, with the functional emphasis of the role being on control rather than reporting. Amongst other matters, this will involve you in advising on the commercial impact of business issues and decisions, driving and implementing change and commercial projects, together with the development of planning, performance measurement and costing systems to take account of both high growth and steady state situations.

Ideally aged 30-40 and qualified, you should have strong IT skills and proven commercial experience, obtained within a sales driven, results orientated manufacturing environment. Highly developed interpersonal skills, mental agility, flair and a sense of humour, together with a pragmatic approach to problem solving, will also enhance your impact in the role.

Applications in strictest confidence, including salary details, to: Charles McGarry, Director, Fletcher Jones Ltd, 9 South Charlotte Street, Edinburgh, EH2 4AS. Fax (031) 220 1940.

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Executive Recruitment

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Set in the heart of the spectacular Mountain Kingdom of Lesotho and close to the legendary mountainous 'Barrier of Spears' a high-tech multi-billion Rand water project providing hydro-power for Lesotho and water for the Republic of South Africa. A joint venture by the Lesotho and South African Governments, controlled through the Lesotho Highlands Development Authority



Treasury Specialist

A position offering stimulation, variety and challenge. Candidates must be from a major corporate or project management organisation, have several years' comprehensive first line professional treasury management experience, be accustomed to controlling a large staff, and be able to act as advisor to the Treasury Manager.

Aged mid-30s to 40s and with a high level financial qualification, they will need working knowledge of:

- the structure, operation and control of international commercial and development finance, treasury operations and financial planning;
- risk management relating to interest rates, foreign exchange and long-term liquidity in a capital project/treasury environment.

A strong background in international treasury management standards and policies is essential, as is financial reporting, staff training and computer literacy. Ref: 5458

£ 75,000 per annum negotiable, tax structured, plus car and exceptional benefits*

* Housing allowance, relocation expenses, annual home air fares, education allowances and medical aid.

Applications, accompanied by a detailed CV including mention of current remuneration, should be sent by post or fax to arrive no later than Tuesday 15th April - to Douglas Austin, MSL Group Limited, 32 Aybrook Street, London W1M 3JL, tel: 071-871 5000, fax: 071-224 2350, quoting the appropriate reference number. Mr John Roy, Consultant to the Authority, plans to conduct interviews in London at the end of April.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

(LHDA), the magnitude and complexity demands financial control of the highest order. These two-year contractual positions, based in Maseru, call for both unquestioned technical expertise, and a commitment to train and develop competent local successors. Work experience in a developing country would be an advantage and total fluency in English is essential.

Head of Financial Planning

A position vital to ensuring adequacy of finance to meet expected project costs, current and future.

Coming from a major corporate or capital project environment, candidates aged mid-30s to 40s with a high level financial qualification must have several years' sound experience in one of the areas of project financing, commercial lending or corporate financial planning. Detailed knowledge of capital project finance, including export credits, would be particularly applicable. Familiarity with financing of major capital projects and related loan packages, cost calculation and certification would be advantageous. Essential are skills in the use and development of sophisticated computer planning models to maintain and update long-term financing and cost plans. Ref: 5459

£ 60,000 per annum negotiable, tax structured, plus exceptional benefits*

Corporate Finance Opportunities - Major Plc

Excellent salary, fully expensed car, substantial benefits.

Newbury

Vodafone Group is the operator of one of the world's largest mobile telephone networks and one of the most dynamic companies in the FTSE 100. Continued expansion in the UK and overseas has created outstanding opportunities for two exceptional finance professionals. These are two new high profile roles and long-term career prospects are excellent for the successful candidates.

Group Treasurer

The position:

- Develop and monitor effective treasury and risk management strategies.
- Optimise returns from funds investment.
- Control foreign currency flows and exposures.
- Maintain banking relationships, facilitating the Group's international business development.
- Enhance the Group's worldwide tax planning process.

Qualifications:

- Graduate ACA, MCT qualification also preferred. Early 30s.
- Successful track record in treasury management. Proven ability to add value through innovative treasury techniques.
- In-depth tax expertise, including international issues, highly desirable.
- Initiative, energy and excellent communication skills.

Head of Internal Audit

The position:

- Establish credible and cost-effective internal audit function.
- Develop and implement procedures appropriate to the Group's complex operational systems environment.
- Co-ordinate work programmes with existing Quality Assurance BS5750 activities.
- Undertake a variety of financial projects including those arising from the Group's expanding international activities. Some overseas travel necessary.

Qualifications:

- Graduate ACA, Big 6 background. Early 30s.
- Sophisticated computer audit skills.
- Persuasive, diplomatic personality with the ability to inspire confidence and carry recommendations through.
- Commitment, intellect and ambition. Must be capable of moving into a senior line finance position in the short-term.

The rewards for both of these positions are fully commensurate with a company of this standing in a high growth industry. Salary will not be a constraint for candidates of exceptional quality. Please write highlighting relevant experience and enclosing a comprehensive CV to: Mrs Carol Lawrence, Personnel Manager, Vodafone Group Services Limited, The Courtyard, 2-4 London Road, Newbury, Berkshire RG13 1JL.

VODAFONE
GROUP

Financial Controllers

PW in Budapest and Moscow

up to £70,000 plus benefits

Price Waterhouse has a strong and well established presence in Eastern Europe as a leading provider of audit and business advisory services. We seek a Financial Controller for each of our expanding offices in Budapest and Moscow.

You should be a qualified accountant, probably aged 30-40, with experience in managing an accounts department in a service industry, preferably a professional practice. You will be a vital member of the management team, expected to make a major contribution during a demanding phase in the practice's development. You will report to the local finance partner in providing the office with accurate and timely management information, and to the Eastern European Services Group, based in London.

Your personal qualities should include good communication skills, business awareness, determination to succeed in an often challenging environment and a pragmatic, hands-on approach to problem solving. Knowledge of Hungarian/Russian, whilst not essential, would be a distinct advantage.

Remuneration will be in the range £50,000 - £70,000 plus benefits.

Please write with a CV, explaining how you meet our criteria and specifying your preferred location, to:

Mike Jennings,
Price Waterhouse,
Southwark Towers, 32 London Bridge Street,
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YOUNG DUTCHMAN (28),

living in Paris, (Int.) law degree, fluent French, Dutch, German, English, 2 years experience, wants career change. Int. Business/organisation (assistant to co-ordinator, PR).

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Finance Director

Healthcare

North West

c £34,000, Car, Benefits

Committed to providing the highest possible level of healthcare within its £15M budget, the client expects to achieve NHS Trust status in 1994. To meet this challenge the unit wishes to strengthen its management team by appointing an energetic Director of Finance who will make a significant contribution to strategic and corporate direction. As Deputy to the Chief Executive the immediate task will be to ensure the effective transition of the Unit to Trust status, coupled with the implementation of efficient financial systems and functions. Professionally qualified, you must have significant experience of finance management at high level and demonstrate strong leadership, analytical and conceptual thinking skills. A thorough knowledge of up to date finance and information systems is essential. Previous public sector or NHS experience would be advantageous, as would a thorough understanding of current healthcare issues. Male and female candidates who feel that they have the self-motivation, ambition and enthusiasm and who relish the challenge offered by this career-enhancing opportunity should send their CV to:-

James Thompson, Hoggett Bowers Plc, 1 Derby Road, Fulwood, Preston, PR2 4JL, 0772 712626, Fax 0772 712626 quoting Ref M27010/FC.

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Assistant Controller

West of Paris

250,000 FF +

Our client is a US group with a \$20 million turnover in Europe, operating internationally in the water processing business.

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The role will involve assisting the Controller in all aspects of European finance and accounting. The ideal candidate will have individual responsibility for:

- One or more operating subsidiaries.

- Manufacturing finance and control.
- Development of the Treasury function.

Aged up to 33, candidates will be Chartered Accountants or MBA graduates with experience in a large audit firm. The position involves extensive travelling. Fluency in English and French is required.

Interested applicants should write to: Rele Gandibilet at Michael Page International, 3 boulevard Bessan, 92300 Levallois-Perret, Paris, France.

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The successful candidate will have had extensive and detailed experience of accounting within a large and complex IT environment. He/she will also need to demonstrate the skills required to motivate and lead the team to meet its objectives. Some broader management accounts experience would also be a distinct advantage.

Candidates will probably be 27+, currently working for a large multinational, have strong communication and team management skills and the self-motivation required to make a success of this exciting high profile role.

For further information please contact:

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Tel: 071-494-1213 Fax: 071-287-3857

Alusuisse makes further cut in aluminium output

the industry "has been slow to respond to the low price environment under which it has laboured for so long". CIS exports to the west could have been as high as 1.2m tonnes last year (including 400,000 tonnes via unofficial routes); yet, according to the International Primary Aluminium Institute statistics, daily production averaged 41,000 tonnes in January only slightly down from 43,000 tonnes in December and up from 38,700 in January 1982.

Europe's aluminium industry wants the European Commission to implement a quota system or introduce tariffs to reduce substantially imports from the CIS but the German government is against this proposal.

CAMBIOR, A medium sized Canadian gold producer, plans to invest C\$82m (\$44m) to develop a low-grade Arizona copper mine with a potential annual output of 30,000 tonnes for 10 years starting in 1995.

It will use the heap-leaching method to extract copper from the open-pit properties' ore. Reserves are estimated at 100m tonnes of oxide ore averaging 0.45 per cent copper a tonne. Operating cost will be about \$5 US cents a lb.

Cambior expects to raise its gold output by 80 per cent to well over 900,000 troy ounces this year with the opening of its Omi mine in Guyana.

were similar, with the local growers adopting a much more cautious view on likely returns this season.

Fruitgrowers' Federation president Mr Paul Heywood, who supports the board, said that its offer to pay growers a tray was realistic. It meant they could get on with the business of picking and packing this season's crop and winning a commercial deal based on reality.

However IKS's Mr Murray Davies said the deal was a disaster for growers, whose interests had been sacrificed to serve the interests of bankers. It left them without enough money to prepare for the 1987 crop, he added.

However, wholesalers in Athens are reluctant to handle Cretan bananas, while admitting their quality is better than fruit from Costa Rica and Colombia. "Cretan bananas taste good but they are smaller and have a less attractive appearance than the imports. And even if we start importing more African and Caribbean bananas because of the quota on dollar bananas, the Cretan product can't really compete," says Mr Myron Mavrikides of Chiquita Hellas, Greece's largest banana importer.

tonnes from last month's figure of 1,413,000 tonnes, with most of the rise coming from a 3m-tonne increase in the coarse grain's estimate, now 554m tonnes. Total grain consumption for 1992-93 is unchanged at 1.385m tonnes.

● "Confusion continues to surround the pattern of grain shipments to the republics of the former Soviet Union," says the IWC report. "Some existing credit lines have been reactivated, others modified and some remain suspended."

In order to get round these problems, it notes, Russia has engaged in grain barter deals involving aluminium, nickel, oil, diamonds, timber and wheat with Australia, Canada, the EC and under the US Export Enhancement Program.

Mr Fidel Ramos, the new president, is set to sign "any day now" the first financial and technical assistance agreement under the new mining code, according to Mr Muroco. The scheme allows foreign operators to undertake mineral exploration for their own account, instead of acting as service contractors for local firms. The scheme also allows them to spend a minimum of \$50m, and to reduce their holdings to 40 per cent after recovering their original investments, which could take 18 to 20 years.

The first financial and technical assistance agreement authorises Arco of Australia to explore for copper and gold in a 30,000-hectare (75,000-acre) area in Nueva Vizcaya province in Luzon. Arco is a subsidiary of Western Mining of Australia, already listed up for some time.

thru/US grade		Chicago		
/bbl		BOYANSEN 6,000 bu or less		
		Close	Prev	
0	57.78	May	58.00	58.00
0	58.20	Jun	58.20	58.20
0	58.40	Jul	58.40	58.40
0	58.60	Aug	58.60	58.60
0	58.80	Sep	58.80	58.80
0	59.00	Oct	59.00	59.00
0	59.20	Nov	59.20	59.20
0	59.40	Dec	59.40	59.40
0	59.60	Jan	59.60	59.60
0	59.80	Feb	59.80	59.80
0	60.00	Mar	60.00	60.00
0	60.20	Apr	60.20	60.20
0	60.40	May	60.40	60.40
0	60.60	Jun	60.60	60.60
0	60.80	Jul	60.80	60.80
0	61.00	Aug	61.00	61.00
0	61.20	Sep	61.20	61.20
0	61.40	Oct	61.40	61.40
0	61.60	Nov	61.60	61.60
0	61.80	Dec	61.80	61.80
0	62.00	Jan	62.00	62.00
0	62.20	Feb	62.20	62.20
0	62.40	Mar	62.40	62.40
0	62.60	Apr	62.60	62.60
0	62.80	May	62.80	62.80
0	63.00	Jun	63.00	63.00
0	63.20	Jul	63.20	63.20
0	63.40	Aug	63.40	63.40
0	63.60	Sep	63.60	63.60
0	63.80	Oct	63.80	63.80
0	64.00	Nov	64.00	64.00
0	64.20	Dec	64.20	64.20
0	64.40	Jan	64.40	64.40
0	64.60	Feb	64.60	64.60
0	64.80	Mar	64.80	64.80
0	65.00	Apr	65.00	65.00
0	65.20	May	65.20	65.20
0	65.40	Jun	65.40	65.40
0	65.60	Jul	65.60	65.60
0	65.80	Aug	65.80	65.80
0	66.00	Sep	66.00	66.00
0	66.20	Oct	66.20	66.20
0	66.40	Nov	66.40	66.40
0	66.60	Dec	66.60	66.60
0	66.80	Jan	66.80	66.80
0	67.00	Feb	67.00	67.00
0	67.20	Mar	67.20	67.20
0	67.40	Apr	67.40	67.40
0	67.60	May	67.60	67.60
0	67.80	Jun	67.80	67.80
0	68.00	Jul	68.00	68.00
0	68.20	Aug	68.20	68.20
0	68.40	Sep	68.40	68.40
0	68.60	Oct	68.60	68.60
0	68.80	Nov	68.80	68.80
0	69.00	Dec	69.00	69.00
0	69.20	Jan	69.20	69.20
0	69.40	Feb	69.40	69.40
0	69.60	Mar	69.60	69.60
0	69.80	Apr	69.80	69.80
0	70.00	May	70.00	70.00
0	70.20	Jun	70.20	70.20
0	70.40	Jul	70.40	70.40
0	70.60	Aug	70.60	70.60
0	70.80	Sep	70.80	70.80
0	71.00	Oct	71.00	71.00
0	71.20	Nov	71.20	71.20
0	71.40	Dec	71.40	71.40
0	71.60	Jan	71.60	71.60
0	71.80	Feb	71.80	71.80
0	72.00	Mar	72.00	72.00
0	72.20	Apr	72.20	72.20
0	72.40	May	72.40	72.40
0	72.60	Jun	72.60	

[illegible]

ago	yr ago	May	49,725	50,925
5	117.51	Jul	50,550	51,700
3	121.48	Aug	48,300	48,200
		Feb	48,200	49,050
		Mar	47,700	48,700

INVESTMENT TRUSTS - CONT.

[illegible]

172	1.3	28.1	4.7	8.4
173	1.3	28.1	4.7	8.4
174	1.3	28.1	4.7	8.4
175	1.3	28.1	4.7	8.4
176	1.3	28.1	4.7	8.4
177	1.3	28.1	4.7	8.4
178	1.3	28.1	4.7	8.4
179	1.3	28.1	4.7	8.4
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229	1.3	28.1	4.7	8.4
230	1.3	28.1	4.7	8.4
231	1.3	28.1	4.7	8.4
232	1.3	28.1	4.7	8.4
233	1.3	28.1	4.7	8.4
234	1.3	28.1	4.7	8.4
235	1.3	28.1	4.7	8.4
236	1.3	28.1	4.7	8.4
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238	1.3	28.1	4.7	8.4
239	1.3	28.1	4.7	8.4
240	1.3	28.1	4.7	8.4
241	1.3	28.1	4.7	8.4
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245	1.3	28.1	4.7	8.4
246	1.3	28.1	4.7	8.4
247	1.3	28.1	4.7	8.4
248	1.3	28.1	4.7	8.4
249	1.3	28.1	4.7	8.4
250	1.3	28.1	4.7	8.4
251	1.3	28.1	4.7	8.4
252	1.3	28.1	4.7	8.4
253	1.3	28.1	4.7	8.4
254	1.3	28.1	4.7	8.4
255	1.3	28.1	4.7	8.4
256	1.3	28.1	4.7	8.4
257	1.3	28.1	4.7	8.4
258	1.3	28.1	4.7	8.4
259	1.3	28.1	4.7	8.4
260	1.3	28.1	4.7	8.

Glasgow Inc.	240	497	1	451
Grant Arm Smk Co.	132	132	-1	145

[illegible]

139	8.5	260.8	14.1
150	3.9	270.5	14.1
202	8.3	149.4	25.3
220	2.5	411.7	-
38	-	-	-
04	-	-	-
15	-	28.3	65.2
22	1.1	50.6	30.9
91	1.2	140.5	23.1
62	4.9	36.9	16.1
62	3.4	122.8	4.8
27	6.5	108.5	-2.6
13	-	-	-
39	0.8	228.4	23.0
16	-	119.1	-1.6
16	5.4	82.9	27.0
24	-	-	-
70	11.5	92.2	9.9

Independent	<input type="checkbox"/>	40	-1	13
Towards	<input type="checkbox"/>	-12	14	

INSURANCE LIFE			% Chg	1980
Company	Notes	Price		
Brinkman		1490	+0	76
San Luis Int.		1480	+0	76
Brinkman		1480	+0	76
Life Insurance		1470	+0	76
Lincoln Nat.		1460	+0	76
Life Insurance		1450	+0	76
Lincoln Nat.		1440	+0	76
Life Insurance		1430	+0	76
Lincoln Nat.		1420	+0	76
Life Insurance		1410	+0	76
Lincoln Nat.		1400	+0	76
Life Insurance		1390	+0	76
Lincoln Nat.		1380	+0	76
Life Insurance		1370	+0	76
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Life Insurance		1290	+0	76
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86	3.3	131.5	7.9
87	16.5	76.7	14.8
101	11.3		
102	4.4	78.0	31.5
27			
34	4.4	330.8	13.7
324	3.9	203.5	18.7
330	10.7	81.6	24.6
97		101.6	4.4
93	13.3	91.0	16.9
94	2.3	249.9	19.5
95	4.9	123.9	17.5
96	0.1	24.9	17.5
219	1.4	412.3	19.5
220			
221		114.6	7.9
222	4.3	834.7	-0.9
223		123.5	8.7
224	4.8	101.5	5.1
28			
30		104.4	35.5
31		85.6	23.5
81	8.2	893.5	13.1
137	8.0	291.5	33.1
138	4.9	294.5	8.9
303		-309.7	-25.0
304	28.5		
94		64.5	77.5
95		104.0	105.5
96		94.0	32.5
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27	18.3		

Package Units	100	100	100
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10	-10.2	15.0	5
11	0.6	0.5	20
12	0.6	0.6	20
13	-1.4	1.0	20
14	2.8	5.0	10
15	4.5	10.0	10
16	14.8	15.0	10
17	-1.3	3.2	10
18	0.5	3.3	10
19	0.6	0.4	10
20	2.3	10.0	20
21	1.4	12.5	10
22	2.0	12.5	10
23	3.5	23.3	20
24	1.3	10.0	10
25	2.2	2.2	20
26	2.8	41.0	20
27	0.6	0.6	20
28	11.0	10.0	10
29	10.0	-	20
30	11.3	11.0	20
31	-1.7	5.0	20
32	0.6	0.6	20
33	4.0	11.0	20
34	12.1	-	20
35	4.3	27.0	20
36	4.3	27.0	10
37	15.1	27.0	10
38	-	24.5	20
39	-	17.0	20
40	5.0	24.2	20
41	0.6	-	20
42	18.0	10.0	20
43	18.0	10.0	20
44	18.0	10.0	20
45	18.0	10.0	20
46	18.0	10.0	20
47	18.0	10.0	20
48	18.0	10.0	20
49	18.0	10.0	20
50	18.0	10.0	20

MINES - Cont[illegible]

1989	100	100	100	100	100
1990	100	100	100	100	100
1991	100	100	100	100	100
1992	100	100	100	100	100
1993	100	100	100	100	100
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1996	100	100	100	100	100
1997	100	100	100	100	100
1998	100	100	100	100	100
1999	100	100	100	100	100
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2001	100	100	100	100	100
2002	100	100	100	100	100
2003	100	100	100	100	100
2004	100	100	100	100	100
2005	100	100	100	100	100
2006	100	100	100	100	100
2007	100	100	100	100	100
2008	100	100	100	100	100
2009	100	100	100	100	100
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2011	100	100	100	100	100
2012	100	100	100	100	100
2013	100	100	100	100	100
2014	100	100	100	100	100
2015	100	100	100	100	100
2016	100	100	100	100	100
2017	100	100	100	100	100
2018	100	100	100	100	100
2019	100	100	100	100	100
2020	100	100	100	100	100
2021	100	100	100	100	100
2022	100	100	100	100	100
2023	100	100	100	100	100
2024	100	100	100	100	100
2025	100	100	100	100	100
2026	100	100	100	100	100
2027	100	100	100	100	100
2028	100	100	100	100	100
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2032	100	100	100	100	100
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2041	100	100	100	100	100
2042	100	100	100	100	100
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2050	100	100	100	100	100
2051	100	100	100	100	100
2052	100	100	100	100	100
2053	100	100	100	100	100
2054	100	100	100	100	100
2055	100	100	100	100	100
2056	100	100	100	100	100
2057	100	100	100	100	100
2058	100	100	100	100	100
2059	100	100	100	100	100
2060	100	100	100	100	100
2061	100	100	100	100	100
2062	100	100	100	100	100

Figures are based on data used for the FT-Actuaries
FT-Actuaries World Index.

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AIB Irish Trust Managers Limited (1000)*									
51 Richmond Rd, Unbridge, Middlesex UB8	1FZ	0895	2597						
AIB Crofund American	1	181.2	163.1	171.6	+8.30	13.0			
AIB Crofund Equity	5	283.7	206.4	218.4	+18.50	3.3			
AIB Crofund Euro	5	180.5	161.6	171.3	+14.40	1.7			
AIB Crofund Inst. Invest	5	101.5	103.8	106.0					
AIB Crofund GHI	1	77.84	77.86	88.27	+15.52	5.0			
AIB Crofund Japan	6	142.3	144.8	151.9	+7.10	5.0			

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar/D-Mark checks decline

THE DOLLAR perked up against the D-Mark yesterday, rising more than a pence in late European trading, as dealers kept their attention fixed on the fluid political situation in Russia, writes James Blitz.

For most of this week, the D-Mark has been pushing the dollar downwards, with the US currency trading on Wednesday below DM1.63. Some dealers have even wondered whether a break below DM1.60 was possible this week.

But the dollar managed to check the trend yesterday, closing in London at DM1.620, up nearly 1/4 pence from the day.

The dollar's rise may have been partly due to signs that the political crisis in Moscow was easing off. This may seem an ironic claim, because the US currency has tended to perform well at times of international crisis when it is seen as a safe haven for investors.

However, although the D-Mark has itself come under some pressure in Europe because of events in the former Soviet Union, the dollar/D-Mark rate has still this week. One factor weighing the US currency down may be fears that political instability in Russia would threaten President

Bill Clinton's peace dividend and his attempts to reduce the US budget deficit.

Yesterday's decision by Mr Russian Khasbulatov, the speaker of the Russian parliament, not to seek the impeachment of President Yeltsin, may therefore have boosted the US currency. Profit-taking following the dollar's fall may also have been a factor helping the dollar up.

Another cause for the D-Mark to weaken yesterday was the Bundesbank's decision to cut the interest rate on its 3-day Treasury bill by 90 basis points to 7.5 per cent.

Some dealers described the move as a significant easing of Bundesbank policy because the Treasury bill rate is sometimes seen as marking the effective floor for all German cash market rates.

The move underpinned the French franc against the D-Mark inside the European exchange rate mechanism. The

French currency closed at FF33.990 from a previous FF33.401. Sterling also performed more strongly, closing up 1/4 pence at DM2.4200.

Despite the Treasury bill move, the Portuguese escudo slipped sharply against the D-Mark yesterday, prompting currency intervention from the Bank of Portugal.

A recent disagreement between the Portuguese central bank and the finance ministry over economic policy continued to hang over the currency. The escudo closed at ES2.72 from a previous ES2.93 on Wednesday night.

Another currency to remain weak against the D-Mark was the Italian lira, which closed in London barely changed on the day at L1974.4. One analyst said that rumours in the market that Moody's rating agency was about to downgrade Italy's sovereign debt was a factor keeping the lira weak.

EUROPEAN CURRENCY UNIT RATES				
Currency	Unit	% Change	% Change	% Change
Spanish Peseta	163.572	-0.32	3.28	41
Irish Punt	0.787564	-0.01	1.00	93
French Franc	6.55957	-0.01	1.00	93
Belgian Franc	40.3399	-0.01	1.00	93
Portuguese Escudo	200.482	-0.01	1.00	93
Dutch Guilder	2.36363	-0.01	1.00	93
Swedish Krona	10.4656	-0.01	1.00	93
Italian Lira	1936.27	-0.01	1.00	93

Base central rates set by the European Commission. Currencies are in descending order of strength. Percentage changes are for the week ending 24 March. Divergence from the base rate is shown in parentheses. The percentage difference between the actual rate and the base rate is shown in parentheses. The percentage difference between the actual rate and the base rate is shown in parentheses.

DOLLAR SPOT - FORWARD AGAINST THE POUND				
Day's	One	Three	Six	Twelve
Spot	1.4720	1.4720	1.4720	1.4720
1 month	1.4720	1.4720	1.4720	1.4720
3 months	1.4720	1.4720	1.4720	1.4720
6 months	1.4720	1.4720	1.4720	1.4720
12 months	1.4720	1.4720	1.4720	1.4720

Commercial rates set by the Bank of England. The pound is quoted against the dollar. The pound is quoted against the dollar. The pound is quoted against the dollar.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR				
Day's	One	Three	Six	Twelve
Spot	1.0000	1.0000	1.0000	1.0000
1 month	1.0000	1.0000	1.0000	1.0000
3 months	1.0000	1.0000	1.0000	1.0000
6 months	1.0000	1.0000	1.0000	1.0000
12 months	1.0000	1.0000	1.0000	1.0000

Commercial rates set by the Bank of England. The dollar is quoted against the dollar. The dollar is quoted against the dollar. The dollar is quoted against the dollar.

EURO-CURRENCY INTEREST RATES				
Rate	One	Three	Six	Twelve
London	7.50	7.50	7.50	7.50
Frankfurt	7.50	7.50	7.50	7.50
Paris	7.50	7.50	7.50	7.50
Brussels	7.50	7.50	7.50	7.50
Amsterdam	7.50	7.50	7.50	7.50

Long term interest rates for 10 years 4.5-4.6 per cent, 20 years 4.5-4.6 per cent, 30 years 4.5-4.6 per cent. The dollar is quoted against the dollar. The dollar is quoted against the dollar.

EXCHANGE CROSS RATES				
Rate	One	Three	Six	Twelve
London	1.4720	1.4720	1.4720	1.4720
Frankfurt	1.4720	1.4720	1.4720	1.4720
Paris	1.4720	1.4720	1.4720	1.4720
Brussels	1.4720	1.4720	1.4720	1.4720
Amsterdam	1.4720	1.4720	1.4720	1.4720

Long term interest rates for 10 years 4.5-4.6 per cent, 20 years 4.5-4.6 per cent, 30 years 4.5-4.6 per cent. The dollar is quoted against the dollar. The dollar is quoted against the dollar.

FT LONDON INTERBANK FIXING				
Rate	One	Three	Six	Twelve
London	7.50	7.50	7.50	7.50
Frankfurt	7.50	7.50	7.50	7.50
Paris	7.50	7.50	7.50	7.50
Brussels	7.50	7.50	7.50	7.50
Amsterdam	7.50	7.50	7.50	7.50

Long term interest rates for 10 years 4.5-4.6 per cent, 20 years 4.5-4.6 per cent, 30 years 4.5-4.6 per cent. The dollar is quoted against the dollar. The dollar is quoted against the dollar.

LONDON MONEY RATES				
Rate	One	Three	Six	Twelve
London	7.50	7.50	7.50	7.50
Frankfurt	7.50	7.50	7.50	7.50
Paris	7.50	7.50	7.50	7.50
Brussels	7.50	7.50	7.50	7.50
Amsterdam	7.50	7.50	7.50	7.50

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Frankfurt	7.50	7.50	7.50	7.50
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Brussels	7.50	7.50	7.50	7.50
Amsterdam	7.50	7.50	7.50	7.50

FINANCIAL FUTURES AND OPTIONS

LIVE FUTURE CONTRACTS				
Contract	Open	High	Low	Prev
Oil	24.20	24.20	24.20	24.20
Gold	325.00	325.00	325.00	325.00
Silver	10.00	10.00	10.00	10.00
Copper	1.50	1.50	1.50	1.50

LIVE FUTURE CONTRACTS				
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LIVE FUTURE CONTRACTS				
Contract	Open	High	Low	Prev
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LIVE FUTURE CONTRACTS				
Contract	Open	High	Low	Prev
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Silver	10.00	10.00	10.00	10.00
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LIVE FUTURE CONTRACTS				
Contract	Open	High	Low	Prev
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Silver	10.00	10.00	10.00	10.00
Copper	1.50	1.50	1.50	1.50

FINANCIAL FUTURES AND OPTIONS

LIVE FUTURE CONTRACTS				
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LIVE FUTURE CONTRACTS				
Contract	Open	High	Low	Prev
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Silver	10.00	10.00	10.00	10.00
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SOYBEAN FUTURE CONTRACTS				
	Latest	High	Low	Prev.
Jun	448.95	449.20	448.60	449.20
Sep	449.45	449.70	449.40	449.45
Dec	-	-	-	450.00
Mar	-	-	-	451.50

POPEYE					
	Sep	Apr	May	Jun	Sep
6.26	0.12	0.62	1.16	2.87	2.87
6.87	0.40	1.15	1.85	3.75	3.75
6.87	-	-	-	-	-

Table with multiple columns listing various financial instruments, likely funds, with their respective values and changes.

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CANADA

Table containing stock market data for Canada, including sections for Toronto and Montreal with columns for stock names, prices, and changes.

INDICES

Table containing various financial indices, including Dow Jones, Standard and Poors, and others, with columns for index names and values.

TOKYO - Most Active Stocks

Table containing the most active stocks in Tokyo, listing stock names, prices, and changes.

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NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

4 p.m. close March 25

Table with multiple columns listing NYSE Composite Prices. Includes stock symbols, prices, and volume. Includes a small text box with market commentary.

Table with multiple columns listing NASDAQ National Market prices. Includes stock symbols, prices, and volume.

AMEX COMPOSITE PRICES

Table with multiple columns listing AMEX Composite Prices. Includes stock symbols, prices, and volume.

Table with multiple columns listing additional market data. Includes stock symbols, prices, and volume.

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Table with multiple columns listing additional market data. Includes stock symbols, prices, and volume.

AMERICA

Recovery in drug issues lifts Dow at midsession

Wall Street

AN EARLY round of program buying lifted Wall Street yesterday morning, writes Karen Zagor in New York.

At 12:30 pm, the Dow Jones Industrial Average was up 11.89 at 3,457.27. The more broadly based Standard & Poor's 500 rose 1.64 at 449.71, while the Amex composite gained 0.54 at 418.82, and the Nasdaq composite firmed 3.96 at 678.32.

Trading volume on the NYSE was some 133m shares by 12:30 pm, and rises out-numbered declines by 974 to 685.

Equities were helped by a recovery in drug stocks, which fell on Wednesday following Merck's disappointing earnings forecast.

Merck firmed 3/4 to \$35, Pfizer added 3/4 to \$65.4, and Abbott Laboratories rose 3/4 to \$24.4.

Bristol-Myers Squibb, however, eased 3/4 to \$37.6.

Market sentiment also benefited from signs that tensions are easing in Russia after Mr Rusan Khasbulatov, a rival of President Boris Yeltsin, said that he opposed the impeachment of the latter.

In the oil sector, Getty Petroleum soared 1 1/2 to \$12 as it reported fourth quarter net income of 54 cents a share, up from 28 cents a year earlier. Among the other energy stocks, Exxon gained 3/4 at

\$65.4, Mobil held steady at \$69.7 and Chevron slid 3/4 to \$61.1.

The erosion continued in the share price of International Business Machines yesterday morning as the stock was hit

by a 1/2-point drop.

NYSE volume

Daily (million)

350

300

250

200

150

100

50

0

March 1993

March 26

March 25

March 24

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March 20

March 19

March 18

March 17

March 16

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